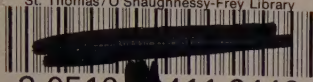


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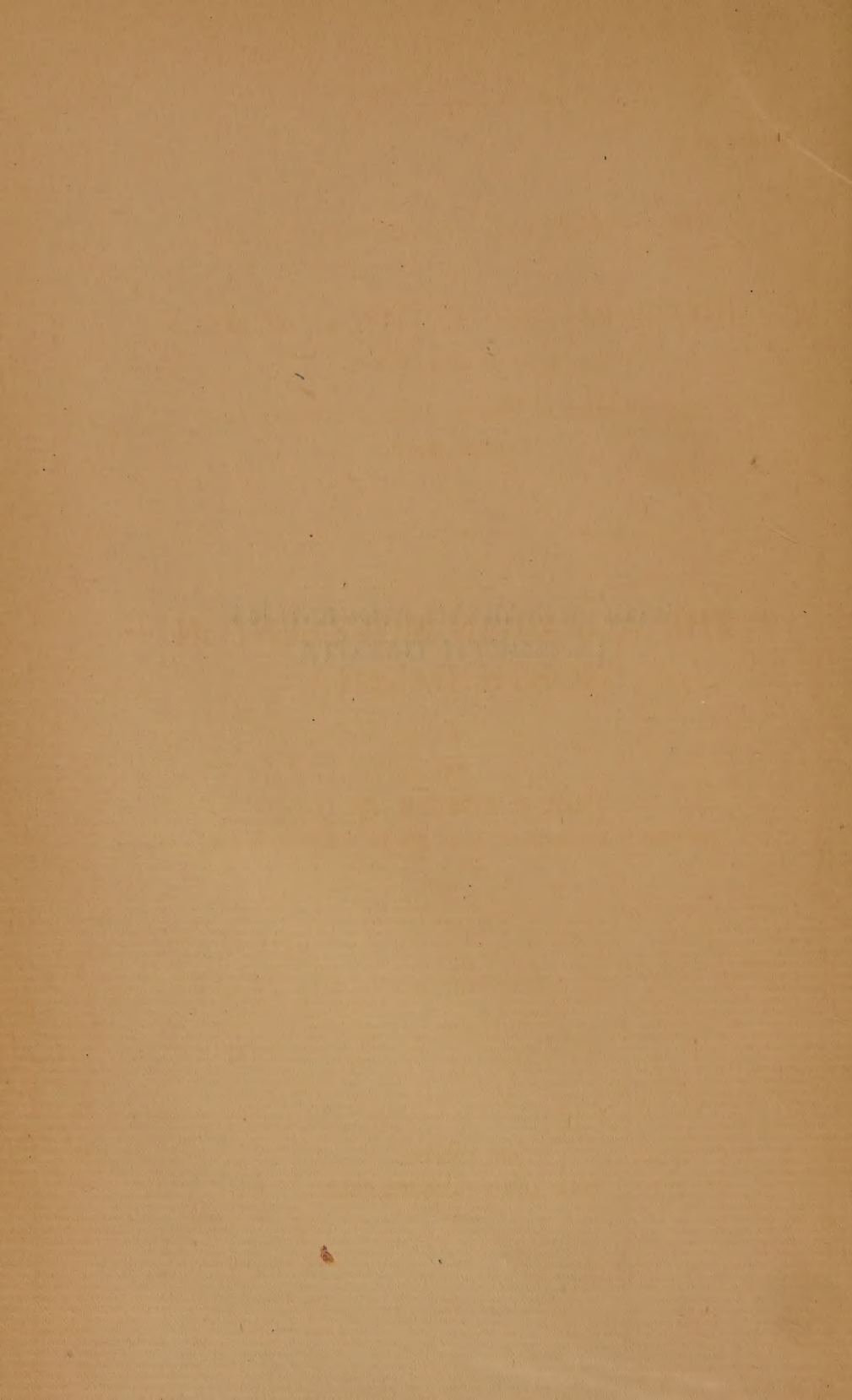


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**THE AGRARIAN MOVEMENT
IN NORTH DAKOTA**



SERIES XLIII

No. 1

JOHNS HOPKINS UNIVERSITY STUDIES
IN
HISTORICAL AND POLITICAL SCIENCE

Under the Direction of the

Departments of History, Political Economy, and
Political Science

THE AGRARIAN MOVEMENT IN
NORTH DAKOTA

BY

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PREFACE

This monograph is the result of an investigation carried on while the writer was a member of the Economic Seminary of the Johns Hopkins University. It originated from an interest generated by direct and active contact with the Agrarian Movement as it has evidenced itself in the economic and political life of the people of the Northwest. The chief sources of information have been, of necessity, documentary. They have comprised mainly Federal and State documents and bulletins, partisan and non-partisan periodicals, and daily and weekly newspapers published in, or for the territory under consideration. This has been supplemented by an intimate knowledge of conditions among the agrarian classes, gained by travelling over the entire spring wheat district during the years 1912 to 1922, and thus coming into direct contact with the farmers.

The writer takes very great pleasure in acknowledging his indebtedness to all his professors, and especially to Professor J. H. Hollander, and Professor G. E. Barnett, who have guided the main lines of the investigation, and who have supplied many helpful criticisms and suggestions. The writer also wishes to express his gratitude to Thomas Cooper, Dean of the College of Agriculture of the University of Kentucky; to W. C. MacFadden, Secretary of the North Dakota Bankers' Association; to Cecil W. Shirk, of the Minneapolis Civic and Commerce Association; and to D. D. Tenney, of the Tenney Grain Co., both for their valuable assistance, and for reading parts of this manuscript. In addition, he wishes to thank the Honorable Thomas Hall, North Dakota Secretary of State; the Honorable Oliver B. Burtness, Congressman from the first North Dakota Congressional District; the Honorable E. W. Feidler, Chairman of the Wisconsin Grain and Warehouse Commission; Mr. John B. Colley, Editor of the Grand

Forks Herald; Mr. J. D. Bacon, of Grand Forks; the Honorable Elmer E. Adams, of Fergus Falls, Minnesota; Mr. H. G. Teigen, Secretary of the National Non-Partisan League; Mr John G. McHugh, Secretary of the Minneapolis Chamber of Commerce; Col. C. A. Lounsberry, founder of the Bismarck Tribune, North Dakota's first newspaper; and many others who have contributed valuable material and suggestions.

P. R. F.

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THE AGRARIAN MOVEMENT IN NORTH DAKOTA

CHAPTER I

INTRODUCTION: A PRELIMINARY SURVEY

The present agrarian unrest is not the result of one or two simple causes, nor can the agrarian situation be changed for the better by the application of a few simple remedies now and then proposed by well meaning but poorly informed politicians. The agrarian unrest is due to economic causes which had their origin, we might say, at the time the industrial revolution changed the manner of production of the manufactured article and brought about the gradual concentration of huge numbers of people in small areas. This concentration of the population, for the purpose of manufacturing, was counterbalanced by the expansion of the area cultivated by the producer of raw materials.

The putting to the plow of the virgin lands of the Mississippi Valley, which began in the latter half of the eighteenth century and continued with increasing rapidity to its completion in the first decade of the twentieth, has been the great task accomplished by the producer of raw material in the United States.¹ The immense amount of territory, the large holdings of each individual, the polyglot character of the population and the natural and financial difficulties to be overcome, made the problem of organization of both of markets and governments difficult. Nevertheless the task has been taken up in true American fashion, and using the means and machinery at hand, we find the immigrant and the Ameri-

¹ The last remunerative free agricultural land was that in north-western North Dakota and Northeastern Montana and was taken up by homesteaders during the period 1906-1912. By remunerative free agricultural land we mean land that needs no other improvement than tilling to bring forth a crop. Lands that need irrigation would therefore not fall under this head.

can-born working out, each to the best of his ability, that part of the task which he has assigned himself.

In the development of this territory, stretching north from the Gulf of Mexico to the forty-ninth parallel and from the Atlantic coast to the Rocky Mountains, conditions, as far as the producer of raw materials was concerned, everywhere served to lead to the same results. It has seemed to matter little whether the farmer produced cotton, fruit, grain or cattle; he apparently was confronted with a single problem, that of marketing, which he has at one time or another attempted to solve.² This problem has come to him from the early days, passed on from one generation to the next, and we can also say from one administration to another, to the present day. It is a problem, to the solution of which the greatest importance has always been and is now attached; for at times it has seemed as though the fate of an industry depended upon its happy outcome. Our task will be to follow the attempts to solve this problem among the wheat growers of the northwestern section of this territory, and in particular the attempts made by the farmers of North Dakota.

Since wheat had been at one time or another raised successfully, and with profit, in all the northern sections of the United States, we find that by the time the frontiers had reached Iowa and southern Minnesota there had grown up in the central markets of the country special markets for that product.³ In fact, in 1859, when Minnesota became a State, Chicago had maintained the boast for over a decade that she was the largest primary wheat market in the world.⁴

² It has been a peculiar coincidence that agriculture throughout the entire United States has been forced to face and to solve the same problems of marketing. It is still more surprising that we find on examination of the attempts at solution, that everywhere practically the same difficulties have had to be overcome. See O. M. Kile; *The Farm Bureau Movement*, p. 118; Address of Mr. J. R. Howard before the Chicago Convention, November 12, 1919.

³ U. S. Trade Commission, *Report on the Grain Trade*, vol. ii, pp. 59-60; O. N. Refsell, *The Farmers' Elevator Movement*, pp. 872-895, 969-992; *Journal of Political Economy*, vol. xxii, Nov.-Dec. 1914.

⁴ Taylor, *History of the Board of Trade, Chicago*, vol. i. pp. 114, 115; *American Elevator and Grain Trade*, vol. xxxvi, p. 707; First

This supremacy was due to her excellent location, both as a railroad terminal and as a port on the Great Lakes. The development of the Chicago wheat market, then, can be followed in the extension of the railroads into the West and Northwest.

As the means of efficient transportation was increased by the extension of the railroad, the small farmer, who had previously been more or less dependent upon his own abilities for the supplying, not only of the few luxuries he might indulge in, but also for a large amount of his necessities, began to rely on outside sources for most of his supplies and to devote his attention to those activities that would afford him the greatest return. At the same time, with the extension of the railroad the producer and consumer were being separated by an ever widening gap. This gap was filled by the commission men who came gradually to sell farm produce for the farmer, or for the purchaser of that produce from the farmer at country points, to the consumer or shipper in the large central market.⁵

With the introduction of the commission men and purchasers at country points, or middle-men as they are popularly known, there also came many sharp practices, formerly not so apparent in the transactions between the farmer and the buyer in the terminal markets. These abuses centered naturally around the value, weight and grade of the grain. However, as long as the market was a competitive one the farmer was able to secure a fair return for his produce.

Annual Statement of the Trade and Commerce of Chicago, 1858, p. 44; J. E. Boyle, *Speculation and the Chicago Board of Trade*.

⁵ It might be stated that prior to the advent of the railroads farmers hauled their grain for distances as great as 175 miles over plank roads to sell it in the market at Chicago where the price was usually higher than at the inland points.

See Federal Trade Commission, *Report on the Grain Trade*, vol. ii, p. 59; *Report to the Parliament of the Union of South Africa on the Storage and Handling of Grain in Europe, the United States of America and Canada*, by Sir Thomas R. Price; Annexure "A," p. 37, Letter of H. P. Merrill, President of the Chicago Board of Trade, March 20, 1911; J. B. Kenkel, *The Cooperative Elevator Movement*, p. 13.

Together with the introduction of the middle-man, and the physical separation of the producer from his market, there also was introduced a feeling of distrust on the part of the farmer, who gradually came to the conclusion that he was not given a fair share in the returns of his produce.⁶ The terminal market seemed too far away and he, seemingly, had no control over his grain after it had left his hands. It was upon these feelings of suspicion that the Grange, a secret agrarian organization, played in the early seventies with the result that for a few years there were a large number of farmers' elevators, whose life varied with the ability and honesty of their managers. Yet at the close of that decade there were few such elevators which had withstood the attacks of their competitors or had survived in spite of the meager abilities of their managers. Thus, we find that in 1880 the whole field was occupied almost entirely by independent buyers or line houses consisting, at most, of ten establishments.

During the period from 1880 to about 1895, these elevators were keen competitors for the purchase of grain at country points, but since they all shipped their grain to the same terminal they were subjected to various sharp practices on the part of the commission men, and also to a great deal of neglect on the part of the railroads, they had a common ground that gradually brought them together to secure by united action better treatment, not only in the matter of grading and weighing but also in the handling of their shipments by the railroads.⁷ This led to the formation of state elevator associations in a number of the grain growing States. These associations engaged weighers and inspectors who were to look after the interests of the grain dealers in the terminal market, thus eliminating several elements of risk and permitting the buying of grain to be carried on on a safer basis.

⁶ It must also be understood that with the advent of better means of transportation, the means of communication had also been materially improved so that the farmer was usually able to have a fair idea of what his produce would bring at the terminal.

⁷ At this time the grading and weighing was done by the different boards of trade (O. N. Refsell, *The Farmers' Elevator Movement*, p. 875).

Meeting with a great deal of success in this field, the state associations, naturally, attempted to further the interests of their members in other directions. In good crop years or at times when competition seemed to lag in any grain producing locality there usually appeared upon the scene men who were known as "track buyers" or "scoop shovelers"—because they bought grain from the farmer at the track and used a scoop-shovel to load it into the cars. Since these men had very little money invested in equipment they could afford to purchase grain on a much smaller margin than the regular dealer who had to invest capital in buildings and machinery. It was to destroy this form of competition that the associations next turned their attention. Their object was attained by informing the commission men at terminal points that no member of the association would ship grain to any person who purchased from a "track-buyer" or "scoop-shoveler." The railroads were also induced to refuse cars to any person unless he could show his grain on the right of way at the time he ordered his car.

Having by these means eliminated, almost completely, the most irritating form of competition, the next step was to eliminate competition among themselves so that they might enjoy a reasonable profit on their business. Thus by the elimination of competition and the substitution of a measure of cooperative effort the numerous independent buyers were able to cope successfully with the most trying conditions. Their common peril had brought them together and had enabled them to shape for themselves the conditions under which they would do business.

The producer was now forced to seek a market. He was no longer greeted on the edge of town by a coterie of eager buyers. He must hunt up the elevator man and inquire of him his terms of purchase, and to his astonishment the price and conditions were the same wherever he went.⁸

⁸ Hon. Robert M. La Follette, of Wisconsin, Speech in the United States Senate on the introduction of the Senate resolution to request the Interstate Commerce Commission to investigate the grain trade, June 25, 1906, p. 7.

Consolidation and combination were not, however, confined to the operators of country elevators. The railroads were interested in securing heavy shipments of grain and had, therefore, not only been in the habit of granting rebates to the large terminal shippers but had also encouraged combination and expansion of terminal elevator companies wherever it was to their advantage. With the passage of the interstate commerce law in 1885 the policy of the railroads to give rebates to grain shippers on various lines entering Chicago was changed. Fearing the law, they selected one trusted shipper on each line whose duty it was to see to it that the railroad was protected in the hauling of grain from western points to Chicago.⁹ In addition to being granted secret rebates these men were given elevator facilities, owned by the railroads at the terminal market, at a very low charge. These elevators were the public warehouses for the transaction of the public's business at Chicago. Thus the rebater could store his grain practically free of charge. This gave him a wide margin on which to work in order to obtain control of the market, for he could store his grain free while every other person storing grain in that market would be forced to pay him storage.¹⁰ Moreover the public elevators thus came into the control of a few men. These men so arranged matters,

⁹ Hearings before the U. S. Senate Committee on Agriculture and Forestry on Bill to Provide for Federal grain inspection, April 2, 1908, p. 80; J. E. Boyle, *Speculation and the Chicago Board of Trade*, p. 42. The investigation conducted by the Interstate Commerce Commission, Oct. 15-Nov. 23, 1906, the results of which were printed as Senate Document No. 278, 59th Congress, 2nd Session, will give some idea of the territory over which these secret rebaters extended their control and the complete accord with which they worked with the state associations.

¹⁰ A public terminal elevator is defined under the law as an elevator for the storage of grain by the general public. Its operators were forbidden to own any grain in them and were expected to get their remuneration from storage alone. These elevators are under the strict supervision of the State which is supposed to see to it that the grain put into the several bins is of the grade corresponding to the wheat already in those bins. The State had no supervision over the private elevators, the owner of which could not store grain for the public. It was in these latter that the mixing and doctoring was done.

that these warehouses, whose purpose it had been to keep the grade of grain stored in it at the highest level of value, were changed to storehouses whose policy was to keep on hand the lowest grade of grain possible and still have that grain graded "contract grade."¹¹ This forced the purchasers of that grain to sell it at a discount rather than remove it from storage.¹² In this way they were able not only to collect storage from the speculator but also, because of the immense quantities of grain on hand, the price could be battered down so as in turn to reduce the insurance charges.

Since the object was to keep the grain in storage as long as possible the system of inspection in and out must be controlled. In this respect the combine was very successful, so much so that no one dared buy grain on a Chicago public warehouse certificate for shipment unless he personally in-

¹¹ "Contract grade" means any grade of grain suitable for filling the contract entered into in the purchase of grain on the Chicago Board of Trade.

¹² Those firms which were parties to this agreement were: The Peavy Grain Co., The Central Elevator Co., The Calumet Elevator Co., The South Chicago Elevator Co., and the J. Rosenbaum Grain Co. (Federal Grain Inspection Hearings before the Committee on Agriculture and Forestry, U. S. Senate, April 2, 1908, on Sen. Bill 382). A large number of the members of these firms were influential officials of the railroads along which they bought grain. Thus J. O. Armour was a director of the C. M. and St. P. R. R. owning in 1908 (a considerably later period) some 30,000 to 40,000 shares of stock. He also controlled the Armour Grain Co. which in turn controlled a large number of other line elevator corporations. The elevators in this combination controlled 13,500,000 bushels of storage space in private elevators, where they mixed grain, and 24,000,000 bushels of public elevator storage space where the mixed grain was stored. They controlled every public elevator at the Chicago Terminal, but one. See *The Weekly Northwestern Miller*, "Miller vs. Wheat Mixer," vol. xxviii, p. 42, July 12, 1889; Senate Doc. No. 278, 59th Cong., 2nd sess., p. 83; J. E. Boyle, *Speculation and the Chicago Board of Trade*, pp. 105-106; the Inaugural address of President Baker of the Chicago Board of Trade, 1895. Mr. Samuel Greeley said in testifying before a Senate investigating committee: "There is not a person of standing who is not friendly to or affiliated with this organization in Chicago who will state, either under oath or otherwise, that a public warehouse grain receipt under the management of this elevator trust and the state inspection department is worthy of the respect of any man in the trade" (*The Weekly Northwestern Miller*, "Not Contract Grade," vol. xxvii, March 15, 1889, p. 328).

spected every bushel of it. Judge Tuley in the case, *Central Elevator Company vs. the People of the State of Illinois*, gives an accurate description of conditions prior to 1897. He says in part:

The court finds that the defendant is a public warehouseman of Class A in Chicago and at such times was and is now engaged in the business of a public warehouseman and in the operation of two public warehouses of Class A, known as Alton Elevator and Alton Elevator B, having a total capacity of 1,850,000 bushels; that grain has been heretofore and at and since the commencement of this suit, and now is bought by said elevator company, and when so bought has been and is now stored in said warehouses of said elevator company, and has heretofore been and now is mixed with grain of others therein stored; that the Railroad and Warehouse Commission of Illinois many years ago established the different grades of the different kinds of grain; . . . the said grades are still in force in Chicago and the grades so established for the different qualities of grain are not such that, under such inspection and grading thereof all the grain of each grade is of exactly the same quality nor is it practicable to establish grades of grain which will comprise grades of grain of exactly the same quality, but it always has resulted and always must result that in the inspection of grain coming to the Chicago market carloads of grain of different qualities have been and must of necessity continue to be graded into the same grade, the difference in the market price at the same time of the different qualities of the same grade of grain varying from two cents per bushel in the upper grades to fifteen cents per bushel in the lower grades; that the great bulk of the grain brought to Chicago, is brought by rail, and in carloads, and is inspected by the state inspectors while on the track and before being transferred to the public warehouses of said defendant; that there did not exist in or prior to 1871 in Chicago or in Illinois any well known general or uniform custom or usage among grain warehousemen to deal in or buy or sell grain or to store grain owned by them in their own warehouses, or to mix grain bought by them with that of their customers, and the proprietors of public warehouses of Class A did not to any general extent begin to buy and sell grain and store or mix their said grain in these said warehouses with the grain of their customers there stored until about 1885; that since that year the practice has continued to grow, until the last two or three years the defendant, Central Elevator Co., and the proprietors of Class A warehouses in Chicago are the principal buyers and sellers of grain in the Chicago market and on the Chicago Board of Trade, and by reason of the advantages they possess, and certain charges in the grain trade, they have practically driven out of business the class of persons who were before that time engaged in buying and shipping grain in the Chicago market, and said Central Elevator Co. and said warehouse proprietors are fast monopolizing the business of dealing in grain in the Chicago market;¹⁸ that upon some of the

¹⁸ That there had been a terminal elevator combine previous to this time has been pointed out by Professor Boyle in his *Speculation and the Chicago Board of Trade*, p. 104 ff.

lines or systems of railroad entering Chicago the proprietors of the public grain warehouses along the lines of said railroads are practically the only buyers of grain received in Chicago over said lines or systems and at the time of filing of said information said Central Elevator Co. and said warehousemen owned at least three quarters of all the grain stored in the public warehouses in Chicago; that there now are in Chicago twenty-nine warehouses of Class A, with an aggregate capacity of 41,000,000 bushels and the amount of grain received into them was 73,000,000 bushels in 1895 and 61,000,000 bushels in 1896 and nearly all of said proprietors of said warehouses in Chicago also deal in futures, that is in the class of contracts for the future delivery of grain which are dealt in on the Chicago Board of Trade; that said defendant and other proprietors of Chicago warehouses of Class A exact established rates of storage from others, and while so doing, said Central Elevator Company and the proprietors of the other warehouses of Class A often overbid other buyers of grain in the Chicago market and elsewhere, and are enabled to do this because said defendant and other proprietors of warehouses of Class A in Chicago yield a portion of the established storage rates charged to others upon like grade; that the buying of grain by said Central Elevator and said proprietors of Chicago warehouses of Class A tends to crush competition in the Chicago grain market and to foster in said Central Elevator and in the proprietors of Class A warehouses in Chicago, a monopoly of the grain trade which is hurtful to the people of Illinois, and it is unlawful for a proprietor of a public warehouse of Class A to store his own grain in said warehouse. It is therefore ordered, adjudged, and decreed that from and after five months from the date of entry of this decree, said defendant and his agents, servants, employees and officers be perpetually enjoined from storing in his public warehouses any grain directly or indirectly owned by or belonging to said Central Elevator Company, or in which said Central Elevator Company has any interest other than as warehousemen.¹⁴

These were the conditions in the late eighties and early nineties which led to determined efforts on the part of the producers to free themselves from such a pernicious monopoly. These efforts were evidenced in the determined attempts to build and run farmers' elevators; in the demand for the abolishment of trading in options; and in the organization of a large number of farmers' associations, including the Alliance, the Northwestern Alliance, the Agricultural Wheel, the Farmers' and Laborers' Union and the Gleaners, together with further attempts at independent action in politics as evidenced by Populism and Bimetallism.¹⁵ These farmers' associations

¹⁴ Findings upheld by the Illinois Supreme Court, 174 Illinois Reports, p. 203.

¹⁵ Frank Drew, "The Present Farmers' Movement," in Political Science Quarterly, vol. vi, pp. 282-310; O. M. Kile, The Farm Bureau Movement, p. 3.

were either political or semi-political, and relied more upon legislative remedies and political coercion than upon the building up of an organization to combat the elevator combination in its own element. Their efforts, however, were not entirely pointed towards the securing of legal remedies. This is evidenced by the determined attempts made by the farmers during this period to get control of the country markets.

A flurry of endeavor along this line had been evident during the early seventies sponsored, as has been pointed out, by the Grange. The failure of these early attempts at co-operative marketing had further discouraged similar endeavor on any large scale. It was not until the operations of the state elevator associations began to make themselves felt that any effort was directed again towards the securing of a better market.

Because of the complete control of the grain trade by the state associations, the first few farmers' companies that began to appear were quickly put out of business, either by raising the price above the market level or by depending upon the railroad companies to refuse to furnish cars. However, in spite of this procedure the farmers were able to deliver considerable grain to the terminal markets.¹⁶ Abuses seemed too

¹⁶ 75 Nebraska 655 gives clearly the methods by means of which these associations were able to carry out their plans. This case brought out the fact that there was not only an agreement among the several elevators in each locality but that the agreements were state-wide and that the associations had gone so far as to form a price committee to determine the price of grain to be paid in the State and to send out cards stating what such price should be. Any elevator which refused to come into the association and become a "regular" house was quickly brought into line by coercive methods. In case of an agreement a division of the business at the several stations was also taken care of by the associations, the company purchasing more than its share being penalized. These associations also made it their business to watch the legislatures and see to it that no unfavorable laws should get on the statute books.

Penalties exacted for overbuying were at the rate of:

	2½ cents on wheat.
Sometimes	2 cents on barley and rye.
	3¾ cents on flax.
	2 cents on oats.

great and a free market too much to be desired to permit him to desist from attempts to free himself from the power of the associations.¹⁷

It was not, however, until 1889 that a successful plan was evolved to combat the grain associations. This plan, which was first developed by the farmers at Rockwell, Iowa, was simple, and consisted in no more than an agreement among the farmers subscribing to the stock of the farmers' elevator to penalize themselves one cent a bushel for every bushel of grain which they sold to any competitor. By virtue of this agreement the farmers' company would not be obliged to pay a price for grain equal to or above that of its competitors, should those competitors attempt to deprive it of its business by offering higher prices. Even though it did not handle a bushel of grain, the farmers' company could in this manner more than make expenses.¹⁸

The organization of the cooperative elevator at Rockwell came at the time when the Alliance-Populist movement had focused a great deal of attention upon itself. The Alliance, through its members, had been able during the first half of the last decade of the nineteenth century to emulate the example of its predecessor, the Grange, in organizing cooperative enterprises, the most numerous of which were grain elevator associations. The investigation of the grain trade in 1917 by the Federal Trade Commission brought out the fact that there

¹⁷ It was with the greatest difficulty that the farmers were able to secure elevator sites from the railroad companies since the railroads would only grant sites at junctions, and then only in the hope that such action might gain some of the traffic that would otherwise go to the other road. We therefore find the first farmers' cooperative elevators at railroad junctions.

¹⁸ O. N. Refsell, "The Farmers' Elevator Movement," in *Journal of Political Economy*, vol. xxii, 1914, pp. 889-890. O. M. Kile, in *The Farm Bureau Movement*, says in discussing the causes for the rise of agrarian organizations: "It was simply the same old story again, of a people or a class cornered and harassed to the point where they begin to strike back. They used only the tools they found at hand, namely, combination and cooperation. In this they had a good example through observation of the power and force secured by combinations of capital and management on the part of commercial and financial interests,—the very groups they sought to fight."

were then thirty-eight cooperative elevators doing business in all the western grain-growing States, in buildings built prior to 1890. The inference may safely be drawn that these elevators were occupied by cooperative associations from the time of their construction.¹⁹ There is ample ground for supposing that at any given time during this period there existed in the grain-growing States more than this number, for in North Dakota, a new State, just being settled by poor immigrants, there existed in 1891, ten, and in 1892, eleven, cooperative elevators whose origin may be ascribed directly to the influence of the Alliance.²⁰ The number decreased to two the next year, and for the next decade we find a general lack of interest in cooperative associations in North Dakota. This does not seem to have been the case in the older Western States where the number of cooperatives had risen in 1900 to 133,²¹ a large number of which made use of the penalty clause.

The increase in the number of farmers' elevators, slight as it was in comparison with other types of elevators,²² brought about a determined effort on the part of the state associations to rid themselves of this form of competition. Not only was this class of elevator subjected to all manner of competition and discrimination at local points but the state associations went into the terminal markets and there informed the commission men that those who dealt in grain shipped by farmers' companies would be deprived of the business of all the members of the association.²³ Lists of those

¹⁹ Federal Trade Commission Report on the Grain Trade, vol. i, p. 47.

²⁰ See Appendix VI.

²¹ Federal Trade Commission Report on the Grain Trade, vol. i, p. 47.

²² There were probably some 15,000 grain elevators in the western area composed of the Dakotas, Montana, Minnesota, Iowa, Kansas, Nebraska and Wisconsin.

²³ O. N. Refsell points out that this action of the state associations, though aimed at all farmers' elevators, was directed especially at those associations which had adopted the penalty clause as part of their by-laws, since they were by far the most dangerous (The Farmers' Elevator Movement, *Journal of Political Economy*, vol. xxii; see the *American Cooperative Journal*, Sept. 1907, p. 16; Sen. Doc. No. 278, 59th Cong., 2nd sess., p. 678).

commission houses handling grain consigned from farmers' elevators were distributed to the members who then refused to do business with them.²⁴ To such an extent were the associations successful in this that all but two commission houses in Chicago aligned themselves with the associations.²⁵

These two commission houses, however, decided to pursue the opposite method and set out at once to organize farmers' associations on the Rockwell plan, which should either erect elevators, or if this were not possible, purchase car loaders. The continued opposition of the large grain interests also contributed, in a great measure, to the rapidity of the extension of this movement.²⁶ Such was the success with which this plan was followed that the farmers' elevators came to be the most favored of all independently operated elevators, whose business, because of its volume, was solicited most eagerly by all commission houses.

The question might be asked: why was it that the farmer was willing to return, as a penalty, a part of the purchase of his grain? Years of bitter experience had taught him that any increase in price was a temporary arrangement and merely a means of securing business while the association elevators were competing with the farmers' companies; therefore, this higher price was only a bounty paid for the privilege of obtaining a future monopoly. It had invariably been the case, that as soon as the farmers' elevator had closed, the price of wheat would drop. This rise and fall in the price of grain was pointed to by the farmer as ample evidence of the unfairness of the independent and line elevators,²⁷ and seemed

²⁴ Sen. Doc. 278, 59th Cong., 2nd sess. pp. 3-48.

²⁵ Lowell, Hoit and Co.; Eschenburg and Dalton, Chicago, Ill.

²⁶ O. N. Refsell, *The Farmers' Elevator Movement*, *Journal of Political Economy*, vol. xxii, p. 969; J. B. Kenkel, *The Cooperative Elevator Movement*, p. 16.

²⁷ There have been several classifications of country elevators. We shall, however, put all country houses in four classes:

- (1) Line elevators: two or more houses located at different points and operated by one organization;
- (2) Independent elevators: a single house owned and operated by one organization but not cooperatively;

also to imply in an almost indisputable manner that the grain market was under the control of and operated by a few powerful corporations and associations supported by the railroads and the moneyed interests of the country.

We have thus seen the producer, in his move for a fair market, first turn to the Grange. There, experimenting in a well-meaning but ill-managed way, he was defeated, his markets taken from him and a price set for his produce upon which neither he nor his crop had a great deal of influence. The price was set at the terminals, and the market there was run for the purpose of enriching its traders, not by means of handling the wheat crops of the western prairies but by trading in future contracts whose ultimate delivery was not only not expected but even plotted against. The price of grain was based upon a future market, the purpose of which was not to discount the coming crop but to entice speculators into the market because of the cheapness of the article. It might be added that it was to combat this tendency of the Chicago market that Senator Washburn of Minnesota supported the Anti-Option bill.²⁸

This control of the grain trade by a few men at Chicago was finally opposed by the farmers organized as local selling units and led by two commission houses who took care of their interests at the terminal. No attempt to secure a general farmers' elevator representative, controlled directly by the farmers, was attempted; each single organization depended upon the benevolence of its own particular agent at the terminal.

(3) Cooperative elevator: a single house controlled by an association of farmers;

(4) Cooperative line elevators: two or more elevators owned and controlled by farmers' associations.

²⁸ H. R. 7845, 52nd Cong., 2nd sess. Minnesota at this time contained a large membership of the Farmers' Northwestern Alliance who also were demanding the outlawing of trading in options, or "wind" wheat. Senator Washburn was connected with the Washburn-Crosby milling interests in Minneapolis. See also, *The Weekly Northwestern Miller*, vol. xxxiv, p. 434, Sept. 23, 1892; vol. xxxiv, p. 477, Sept. 30, 1892; vol. xxxvi, p. 149, Aug. 4, 1893.

The success of this movement was due, then, not to the ability of any one farmer or number of farmers in energetically taking the lead and carrying to a successful conclusion, plans of their own making. It was due, rather, to an outside force that saw that leadership in such a movement offered it its only opportunity to survive, and success in the venture was due, not to the abilities of the agrarian class to create, but to follow.²⁹ It might be contended that the farmers themselves created the Rockwell plan and its all important penalty clause, yet such a plan would have had little influence, and indeed did not have any influence, until the commission houses mentioned above, hard-pressed by their competitors, saw that in it was the solution of their difficulties. Even then, had they not spent liberally of their capital and thus brought the plan before the farmers in a forceful and convincing manner, it is safe to say that the farmer would have had to wait for many years before the controlling powers in the terminal markets would have seen fit to allow farmers' elevator companies to take from them any part of the earnings of their monopoly.³⁰

We can say, then, that the grain trade in the territory tributary to Chicago has passed through three distinct phases, to wit:

1. Local or individual bargaining and marketing.
2. The partial organization of the individuals within the trade into two opposing groups, that is, the producers and the dealers or middlemen.
3. The perfection of the organization of the dealers.

The first phase came quickly to an end on the advent of the railroads which brought greater efficiency in the trans-

²⁹ There were several attempts at cooperative terminal marketing during the early part of this period. The Scandinavian Grain Company and the Farmers' Protective Association attempted, for some time, to market grain at Duluth and Minneapolis. The latter even sold stock for the purpose of raising funds for a terminal elevator.

³⁰ The firms of Lowell, Hoit and Co. and Eschenburg and Dalton are said to have spent over \$20,000 in agitating and organizing this form of farmers' cooperative elevator (O. N. Refsell, *The Farmers' Elevator Movement*, *Journal of Pol. Econ.*, vol. xxii, p. 970).

porting of produce for long distances. This circumstance led to the second phase, the introduction of the middleman. The uncertainties with which the middlemen had to cope and which were reflected in the low price they paid for the commodities they handled led to an attempt to remove them.⁸¹ Since those making this attempt little understood the problems that the dealer was confronted with, but only had in mind a distorted picture of the size of his profits, any effort on their part to act in his place was foredoomed to failure unless they had higher motives than the immediate acquisition of a large amount of profits. This led to the third phase, the perfection of the organization of the dealers, both at the terminals and throughout the tributary territory so as to permit them to resist the competition of the organized producers, and this in turn was eventually to force the farmers to attempt to enter the terminal markets as salesmen for their own products.

The earlier organization of producers because of the independence of the farmer and also because of the existence of an element who looked only for large and immediate returns, failed in all but a few instances, helped on to failure, no doubt, by the middlemen themselves, who not only saw in the movement an attempt at the extermination of their own class, but had hurled at them at every turn the cry, "Down with the middlemen."

Thus, the first attempts at cooperation, sponsored almost altogether by the Grange, failed, and failed not because there was no need for such organizations, but because those who participated in them underestimated the services of this class and further added to the burdens that they had imposed upon themselves by giving their patrons the impression that the margin of saving would be large. Then when they met with difficulties, they were forced either to cover up their mistakes by fraud or unbusinesslike practices or else see their patrons leave them because of their inability to measure up to their

⁸¹ Amos Warner, "Three Phases of Cooperation in the West," in *The Johns Hopkins Studies*, Series VI, 1888, No. 7, pp. 368-369.

promises. In either case the result was the same. The farmers were either discouraged or disgusted, and abandoning their attempts at cooperation left the field open to the better organization of the middlemen who had, on being thrown together for common defense, perceived the advantage of common action.

The middlemen, then, because of their position in the grain trade, went through to a successful conclusion with the consolidation and perfection of their organization, so that when the producer again found himself at the mercy of this organization the effort to deprive it of any part of its profits was met with determined resistance. All avenues by which the producer might seek to escape from its control were closely watched. The legislature, the courts, the executives, and the trade itself all felt the influence of this monopoly.³²

When the agrarian classes again made a trial of economic measures and organized local elevators on the Rockwell plan the difficulties with which they were forced to contend had been greatly increased. This in itself was a boon to the movement in that no organization could now hope to be in any way successful unless it abstained entirely from politics and made use only of sound business methods.

Under such conditions the movement has been a slow and local movement, and since the localities had little in common and also since there was very little communication between them, either because of the distance, the bad roads, or the lack of time, we find very little incentive towards amalgamation in order to secure district or state-wide united action. The land being rich, its value low and its cultivation reasona-

³² The flippancy in which the terms "Boodle-taker," and "Boodle," were used in the late 80's and early 90's surprises the present day reader, who would, at least, have expected such terms to be mentioned only on bated breath. The purloining of bills passed by the legislature and not delivered to the Governor are numerous. For one instance, see *The Grand Forks Plain Dealer*, March 6 and 8, 1893. Thirteen bills passed by the North Dakota Legislature to curb the railroads and other corporations were stolen after having passed the legislature. These were not returned until Governor Shortbridge, the Populist-Alliance Governor, instituted a thorough investigation.

bly easy, we find that the farmer was inclined, when he had secured the benefits of a revived local competition, to sit back and enjoy them rather than attempt further activities in a field that was at once far removed and little understood. Needless to say, the farmer did not cease to grumble about, or look with suspicion upon, the activities of the purchasing classes. That was his right and he exercised it at his pleasure, but the point not to be overlooked is that he did not carry to a conclusion the work of organizing and controlling the entire marketing system he made use of in transporting his grain to the consumer.³³

This failure to complete the task may be ascribed to the fact that the movement itself was due, not in the least to the farmers, but was agitated and financed by outside firms who saw a profit in the movement provided it went no further than the supplying of a line of elevators which would insure for them a large business, and what was most important, equally large commissions. As the farmer had been led on in the early years of the last quarter of the nineteenth century by the Grangers, a political body, so three decades later he was again led over the same route by business men, and in that they understood the fundamental principles of the problem, they solved it, but the movement went no further than they cared to carry it.³⁴

³³ The consumer in this case is the miller and feeder.

³⁴ It is true that an attempt was made by the Minnesota Farmers' Exchange, an organization of farmers in Clay County, Minnesota, to sell grain on the floor of the Minneapolis Chamber of Commerce, and although they purchased a membership they were refused the right to trade on the exchange because they had in their by-laws a rule permitting the distribution of profits to customers according to patronage. This rule was considered a rebate rule by the Exchange, and because of the abuses rebates had been the cause of in earlier periods the exchanges were very strict in the enforcement of anti-rebate regulations. (Rule 4 of "by-law 19 of the Winnipeg Grain Exchange 1906 is a representative sample of the non-rebate rule as enforced by the grain exchanges. See Report of the Royal Commission on the Grain Trade of Canada; 7-8 Edward VII, A 1908 sessional paper No. 59). The fact that the farmers formed this organization in no way detracts from the argument that they must be led. For had the men organizing this concern been able leaders in cooperation they would have removed the objectionable by-law

Thus we see that the third phase of the movement for the consolidation of the producers has yet to be accomplished. We shall review the development of this phase in the following chapters.

and distributed profits according to the number of shares held, but limited the number of shares to the business done with each shareholder. In Winnipeg where the situation was handled by business men, the farmers' companies after some hesitation went over to the share plan, and although the exchange endeavored, at a later date, to force them to the patronage plan, they continued on the share basis. See on this topic, Theo. D. Hammet, *Cooperation in Marketing Kansas Wheat*, p. 35; L. D. H. Weld, *Cooperative Marketing of Grain in Western Canada*, p. 100; C. E. Russell, *The Story of the Non-Partisan League*, p. 109 ff., for a description of the activities of the Minnesota Farmers' Exchange incorporated, 1903; *Investigation of the Grain Exchanges*, Minnesota Legislature, 1913, Minn. House Journal, p. 1754 ff.

CHAPTER II

THE EARLY AGRARIAN MOVEMENT IN THE STATE

In the preceding chapter we have noted, in a general way, the development of the grain trade; how the steps toward amalgamation were, at first, steps taken in self-defense and for protection against privileges, the exercise of which had become dangerous either to those dealing with the privileged persons or to the grain raisers in general. We have seen also how the revolt against those holding these privileges had taken both a political and an economic turn and that as long as the economic enterprises were kept strictly apart from the political ventures they were successful.

It was during this period of amalgamation and development in the grain trade, that is, between 1882 and 1896, that North Dakota was settled and grew to statehood.

Like the development of the South, the development of the North-central States and North Dakota in particular has been due to the invention and perfection of two machines, one, the La Croix purifier, which made possible the manufacture of a superior grade of white flour out of spring wheat by the better separation of the middlings from the flour; the other, the introduction of the Hungarian process of roller milling and the perfection of the chilled-iron roller which made it possible to mill hard spring wheat.¹

The introduction of these two machines not only completely revolutionized the milling industry but changed the methods of settling and developing the western prairies. From this time on we see the great railroad systems that are being built depart from the practice of merely bringing the already established frontiers into communication with the older parts of the country and themselves becoming pioneers, and not only accompanying the first settlers into the new country

¹ W. C. Edgar, *The Story of a Grain of Wheat*, p. 155. Previous to the introduction of roller milling, hard spring wheat sold at a discount. It now began to sell at a premium.

but at times reaching on ahead of them and leading the way for settlement.

Other causes also were not lacking to give momentum to the development of this region. For years prior to the introduction of the new methods of manufacturing flour the millers of the country had been engaged in the most severe competition, goaded on by the flour broker and their own suspicions.² Competition at times became so keen that there was no margin of profit. To add to the already unbearable situation the "patent shark" had made his appearance and was collecting or attempting to collect enormous royalties on certain necessary appliances of the trade.³ The danger from the latter had, for a time, thrown the millers of the country together, and thus being thrown together for defense, and being generally successful, they were led during years of high wheat prices to agree upon minimum prices for flour, and sometimes to curtail the output. Yet in spite of these agreements the suspicions of the millers were too dark and the invested capital too great for this cooperation to continue. New, larger and more efficient mills were continually being built or more efficient machinery was being installed in the older establishments.

This kind of competition led the millers of Minneapolis, who

² The Weekly North Western Miller, Feb. 1, 1889, p. 132, speech of Dr. E. T. Noel before the assembled Southern Millers, called together to form an association, Jan. 23, 1889; Ibid., Feb. 15, 1889, p. 200.

³ Ibid., Feb. 1, 1889. Speech of Mr. Alex. H. Smith, Secretary of the Central Millers' Association, delivered before the National Millers' Association at Indianapolis, Feb. 5, 1889. He said, in part: "The National Millers' Association was formed in 1877 especially to join the millers in defense against patent claims, exceeding the value of the mills, if conceded. After the patent cases were disposed of favorably the National busied itself in an educational campaign advising millers in the same localities to unite on prices to charge, thus securing to themselves a profit in the home trade, which should be the most profitable. These simple conditions, faithfully observed, have saved and made a lot of money in sections which had been, before, on the verge of bankruptcy. The remedy is alike applicable to the whole country. The central association should be composed of representatives elected by the localities and should look after the general welfare, even in time, to having a single representative look after foreign business."

had almost unlimited power from the falls of St. Anthony, to expand, and with their expansion there came a still greater demand for wheat followed after the introduction of the new process of roller milling by an even larger demand for hard spring wheat.⁴ The capacity of the Minneapolis mills increased immensely, urged on by a corresponding demand for flour, both in America and Europe.⁵ The cheap white flour made from hard spring wheat was unexcelled in the markets of the world.⁶

It is needless to mention that there were other factors, of almost equal importance in the expansion of the northwestern frontiers. Not the least among these was the introduction of the twine-using self-binder, which made it possible for one man to harvest tens of acres of grain for every acre he had formerly harvested with the cradle.

From the foregoing it is therefore evident that the railroads were warranted in their eagerness to push on ahead of the frontiers and lead the way for the people of the older states and Europe in their quest for free and fertile lands. It would, therefore, be needless to say that the prime purpose of these railroads was to insure to their terminal an ample supply of wheat, and to accomplish this object the millers and financiers of the Northwest bent their every effort. No opportunity was passed which might make that supply more certain or larger.⁷

In the development of this territory the railroads were

⁴ *Ibid.*, Jan. 11, 1889, vol. xxvii, No. 2.

⁵ See tables showing output and foreign exportation of the Minneapolis Mills, 1880-1923, in Appendix V.

⁶ This excellence was due, not only to its pure white color or to its expansive power which was in turn due to its high gluten content, but also to its ability to absorb water. This combination of qualities made it a flour highly prized by bakers the world over. The mean absorption ability of all varieties of wheat grown in the State during the years 1907-1914 was 56.35 per cent. with a maximum of 61.3 per cent. and a minimum of 49.27 per cent. See E. F. Ladd, *North Dakota Agricultural Exp. Stat. Bull.* 114, *Chemical and Physical Constants for Wheat and Mill Products*, pp. 288-289.

⁷ C. A. Lounsberry, *History of North Dakota*, pp. 336-346; John Lee Coulter, *History of the Red River Valley, N. Dakota Historical Collection*, vol. iii, p. 587.

guided by policies both far-sighted and courageous. They transported immigrants with all their household effects and farm equipment free. They sold the immigrants land on reasonable terms and gave a bonus according to the amount of new land brought under cultivation.⁸ The settlers also were considered, for a few years after they came into this new country, more or less as wards of the railroads.

Coincident with the development of the State by means of the railroads and in conjunction with the grain interests there had grown up in the Northwest as a result of numerous sharp practices perpetrated upon the farmers by the grain dealers and money lenders, a secret agrarian organization known as the Northwestern Alliance, the purpose of which was to advocate laws at the legislative sessions for the reform of the local and terminal markets. This organization had its inception in the period following the collapse of the economic projects of the Grange. It was, at first, purely economic in its motives and as such was a considerable factor in the formation of farmers' elevator companies.⁹ However, in 1887 the Northwestern Alliance came out openly for economic relief by means of political reform, endorsing, among other things, the reform of the grain trade, the National Land Loan Bureau for lending money to farmers, and the public ownership of railroads and terminal elevators.

We find then in 1889, when the Dakotas elected delegates to their first constitutional convention, that the Alliance was able to exert its influence to such an extent that when E. A. Williams introduced a constitution favored by Mr. Villard, President of the North Pacific, there was immediate protest, the delegates deciding that they would draw up their constitution section by section and as they saw fit.¹⁰ As a result

⁸ Letter of James J. Hill, July 1, 1912, The Great Northern and the Northwest, addressed to the stockholders on the occasion of his retirement from the Chairmanship of the Board of Directors.

⁹ Solon J. Buck, *The Agrarian Crusade*, pp. 119, 131.

¹⁰ C. A. Lounsberry, *History of North Dakota*, p. 394 ff. The constitution is supposed to have been written by Professor James Bradley Thayer of the Harvard Law School at the request of Presi-

of the Alliance influence a constitution was framed creating, among other things, a Board of Railroad Commissioners composed of three members elected by the people for the purpose of controlling public utilities.

This body was fashioned upon the model of those in Minnesota and other Western States. Thus the influence of the Alliance, though not entirely predominant, left its marks on the resulting instrument. The corporation interests although at times possessing the balance of power were not able to completely throttle the progressive forces favoring government control of public utilities, consequently the instrument of government, as a whole, was mildly progressive, comparing favorably with the constitutions of the time, and when submitted to the people it was approved by a large majority.¹¹

The election held for the ratification of the constitution also provided for the election of officers. Consequently with the assembling of the first legislature, in November 1889, the citizens of the new State looked toward their capitol with at least the one hope that from now on the larger evils of the grain trade and also the unreasonable practices of the railroads would be checked.

For years, the producers had been subjected to all kinds of

dent Villard, who then had it introduced to the convention by Delegate Erastus A. Williams from Burleigh County, a Bismarck lawyer. After having been bitterly attacked by M. N. Johnson, who later was elected to a seat in the U. S. Senate by the insurgent Republicans, it was rejected as "a piece of unwarranted outside intermeddling." It was, however, in many respects an admirable document and must have served as a guide to many of the members of the convention; for further information see, *The Debates of the Constitutional Convention, 1889*. The membership of the North Dakota Constitutional Convention was composed of representatives from the following occupations in the number indicated: farmers, 28; lawyers, 25; publishers, merchants and realtors, 14; doctors and bankers, 6; railroad employes, 1. See *Debates of the N. Dakota Const. Conv., 1889*, p. 3. From this analysis it appears that the statement made by demagogues at a later date that the constitution was framed by the paid minions of "Big Biz" is founded only in fiction, unless "Big Biz" was the Northwestern Alliance.

¹¹ *Legislative Manual for North Dakota, 1899*, p. 165. For the constitution, 27,441; against, 8,107; for prohibition, 18,552; against, 17,393. The prohibition section of the constitution was submitted separately.

petty thieveries and injustices in the marketing of their grain. Weights had been false, elevator men had absconded with the proceeds of stored grain, prices had been artificially depressed, the grain had been undergraded, and what seemed to point in a most accusing manner toward the country elevator men and seemed to vilify them most in the eyes of the farmer was the fact that all elevators quoted the same prices for grain. There was no competition except when an independent track buyer came into the community, and then competition was limited and only existed between the track-buyer and the elevators. This competition usually raised the country price of grain. It was, therefore, with great concern that the farmer saw his only hope for higher prices for his produce driven from the business by a combination of elevator men.¹²

It might not be superfluous to point out that the track buyer, for the purpose of increasing his business, was not averse to magnifying his difficulties and blackening the name of his competitors. The slightest of irregularities in the supply of cars by the railroads resulted in loud accusations of collusion between the railroads and elevators often followed by vigorous protests to the political authorities by the citizens of the community. It was not without reason, then, that the railroads and elevator companies took every opportunity to rid themselves of such a band of trouble-makers. However, the demand for hard wheat at milling centers was so great and the organization of the elevator men in North Dakota, during the eighties and early nineties, was so loose that it was not necessary for the farmer to ship his grain through the regular channels, in order to dispose of it, as had been necessary in the States further south. There was an eager market for hard spring wheat, and although the farmers, pioneering in this new section, had no money with which to build cooperative elevators, yet they knew a market existed where they could secure a price more in conformity with the value of grain. Therefore, with a state government of their own, composed of officers elected by them, the most hopeful

¹² Appendix XI.

aspired to so arrange matters that any person could ship directly to the terminals.

For the Dakota farmer, during the past few years, times had been hard. Those living in the western part of the State had suffered severely because of failure or partial failure of the wheat crop. Therefore, those that had grain to sell wished to obtain all it was worth. In such times the difference of a few cents in the price of their produce meant either the obtaining for them of necessities, or the subjection of their families to great suffering. Under such circumstances it was not hard to stir up discontent with the order of things and it was, therefore, in a great part, due to these conditions that the people demanded a change in the manner and methods of doing business. They therefore demanded a law that would permit them to compel the railroads to equip their side-tracks with loading platforms so that the farmers themselves or the track-buyers could load and ship their grain direct and without the necessity of running it through an elevator. This, they thought, would force the elevator companies to compete for the grain. The farmers further demanded complete control of the grain trade by the Board of Railroad Commissioners, who were not only to be given power to regulate but even to establish legal terminals within the State and there grade the grain according to North Dakota standards. Such was their ignorance of marketing that they thought that the price of their grain would be raised by grading it only at the terminals and not allowing the buyers at country stations to classify it in any way. It never occurred to them that the country buyer would be forced to buy according to the grades set at the terminal, and that in case he was only allowed to guess he would discount his ability enough to insure himself against loss.

Other laws of more practical value were also demanded such as the bonding of storage elevators, the regulation of storage rates, the prohibiting of pooling prices, the declaring of all elevators which bought and sold grain for profit within the State as public elevators, and the providing against dis-

crimination by the railroads in the leasing and selling of elevator sites on the right of way.

These were some of the more moderate demands. Probably no people expected more from a legislature. It is certain that in the matter of the regulation of the grain trade their expectations brought them nothing. The law which was to force the railroads to build platforms contained a joker which made it inoperative.¹³ The bill to amend this platform law was killed in the Senate.¹⁴ Though a law was enacted which had for its purpose the forcing of the railroad companies to cease discrimination in the granting of elevator sites, it contained no penalty should the railroads refuse to act and one need not mention that the roads did not fail to refuse. "Such was the anxiety," said the *Weekly Northwestern Miller*, "of the North Dakota Legislature to regulate the grain trade that they passed three laws, each seemingly contradicting the other or a previous statute."¹⁵

This was the first attempt of the North Dakota farmers under the leadership of the Northwestern Alliance to free themselves from the power of the grain and railroad interests. They had failed and their failure was made painfully evident the following fall when the Elevator Association secured an opinion from the Attorney-General of North Dakota which

¹³ Chapter 123 of the Session Laws of North Dakota 1889-1890, sec. i, reads as follows: "Every railroad company or corporation doing business in this State shall, within sixty days after this act shall go into effect, upon notice from the Commissioners of Railroads, build, erect and complete one or more platforms for the transfer of stock, grain and other commodities from wagons or otherwise to cars at each and every station designated in said notice. Said platform to be erected where there will be safety to life and property." This section of the law was construed by the Attorney-General to mean that only those platforms ordered built by the Board of Railroad Commissioners within sixty days after the passage of the act were obligatory upon the railroads to build. Since the Railroad Commissioners had not given any orders for the construction of platforms within the time limit the railroads did not build any. See also, Letter of George F. Goodwin, Atty.-Gen., Aug. 13, 1890, to Harry Harris, Esq., Secretary to the Board of Railroad Commissioners, Report of the Board of Railroad Commissioners, 1890, p. 30; Circular letter dated Aug. 28, 1890, *ibid.*, p. 32.

¹⁴ *Ibid.*, 1892, p. 277.

¹⁵ The *Weekly Northwestern Miller*, July 25, 1890, vol. xxx, p. 115.

swept aside practically all the grain trade legislation enacted by the first legislature.¹⁶

Undaunted, the agrarian classes moved to remedy the situation in the legislature of 1891. Demands for platforms had increased immensely in the interval but the Senate was able to block most effectively any legislation which had for its object the amelioration of marketing conditions for the individual. Perceiving the strength of the opposition the Alliance concentrated its efforts upon securing the passage of a bill which would force the railroads to desist from discrimination in the matter of distributing elevator sites, only to have the bill vetoed by the governor on the ground that since it provided no means by which the railroads might be reasonably compensated, it was unconstitutional.¹⁷

Exasperated beyond endurance by such tactics of robbery and political trickery the Alliance, although it had been defeated on a semi-independent ticket in 1890,¹⁸ decided to put a ticket in the field in 1892.

¹⁶ See above, note 13.

¹⁷ He further declared that the law was similar to a law passed by the Minnesota Legislature and declared unconstitutional by their courts. The law was passed the last day of the session and it appears now that it was clearly unconstitutional. The action of the Governor in using his veto in the face of the wishes of the majority of the people was poor politics. See *The Bismarck Daily Tribune*, editorial, Oct. 2, 1892; Oct. 23, 1892.

During 1891 and 1892 a movement was set on foot among the Alliance members to build cooperative elevators. The eleven elevators operated cooperatively during these two years appear to have been organized by the Alliance. A large number of them contain the word "Alliance" in their corporate name (Elevator lists; Report of the R. R. Commissioners, 1891, 1892).

¹⁸ *The Daily Plain Dealer*, Grand Forks, N. Dak., Sept. 4, 25, 1890. Mr. Walter Muir, President of the Alliance, was nominated for Governor. Several other independents were nominated for office and several Democrats endorsed. They united with the Prohibitionists and solicited the Knights of Labor and Union Labor societies for support. The call for the convention concluded thus: "Let this convention show the world that the farmers, prohibitionists and friends of reform generally in North Dakota can no longer be driven by political bosses and ring masters in the State." The platform adopted included a promise to demand from the Federal Government twenty year farm loans and other funds which were to be loaned on warehouse receipts. No mention was made either of elevators or railroads.

Alarmed by the strength of the Alliance, and the indignation of the people in general, Governor Burke called a special session of the legislature which remedied the platform laws.¹⁹ However, abuses had been carried so far that the people were not satisfied with the rectification of a single law. They determined upon a complete overhauling of the whole state government both for the purpose of securing a more equitable enforcement of the existing laws and also for the purpose of committing the State to a policy of state ownership of marketing facilities primarily for the purpose of securing fairer grading of North Dakota grain at the terminals which lay outside the jurisdiction of the state government. To accomplish this end, the Alliance-Populist-Democrat fusion promised the farmer state-owned terminal elevators.²⁰ Holding out such promises of reform, and pointing to the veto of the elevator bill by Governor Burke as an example of political corruption, the Fusionists swept the State.

In the legislative session following the election, we find the same tactics of delay and deception followed by the corporation interests that were practiced by them at previous sessions, and now, seemingly helped on more than ever by the simple-mindedness of the farmer legislators themselves. The terminal elevator bill which was to provide a state terminal elevator either in Minnesota or Wisconsin, whose storage receipts could be used as collateral for short time loans was so constructed

¹⁹ To meet the emergency the railroads came out openly for platforms even before the special session had enacted the platform law. Some of the railroads began building platforms at once. Where there were but thirty-eight platforms on June 30, 1892, the number increased to 147 in 1893 and from then on to 1900 as follows:

1892	1893	1894	1895	1896	1897	1898	1899	1900
38	147	185	235	228(a)	250	263	274	293

(a) 1896 decrease is due to inaccurate reports.

From 1900 the number of platforms increased until now (1924) there is at least one at almost every station in the State.

²⁰ The North Dakota Alliance was by no means the only State organization of the Northwestern Alliance which demanded that the State enter the terminal elevator business. The Minnesota organization based its campaign upon a similar platform (The Minneapolis Tribune, Jan. 30, 1893).

that it was impossible of operation.²¹ Furthermore, the way of all legislation was effectively blocked by the introduction of measures favoring resubmission of the prohibition clause of the constitution and a concurrent resolution granting women suffrage. In the ensuing struggle it was made possible for occult forces or other influences to make way with some of the best measures presented during the session. This was true of a revised platform bill and twelve other bills affecting the corporations.²² The opposition used every means and method at its command to force the movement to miscarry. The newspapers vilified the leaders, conjuring up some terrible monster, who by forcing the elevators and railroads to adopt fair methods of dealing with the public would ruin the whole commonwealth. No name was too vile, nor plot too revolting but that it was readily laid to the Alliance-Populist forces. The farmer movement, however, left the producer in far better circumstances than he had previously enjoyed. He had been able by means of his appeal to the legislature to establish the fact that the privilege of shipping grain over any railroad was to be enjoyed equally by all persons irrespective of their connections with the common carriers. The establishment of this right brought the elevator companies face to face with the problem of paying a fair price or seeing the farmers' grain loaded over the platform and shipped to the terminals.

During this period of agitation for the improvement of marketing conditions the attention of the farmer was not con-

²¹ The bill carried \$100,000.00 appropriation but failed to provide the treasury with funds wherewith to meet it. To make matters still more difficult the bill provided that no elevator could be built until the State in which it was built should cede absolute political control of the territory upon which the elevator was to stand to the State of North Dakota. This was to secure the freedom of action of the grain inspectors of the State of North Dakota (Sess. Laws of N. Dak., 1893, Chap. 61, p. 165). The bill was drawn by the Attorney-General who was generally known to the opposition as Standish, "the hairbrained Populist." Standish assured the Legislature that the bill was constitutional (The Grand Forks Plain Dealer, Mar. 3, 1893; N. D. House Journal, Mar. 2, 1893).

²² The Grand Forks Plain Dealer, Mar. 6, 1893.

financed alone to the activities of the railroads and elevators at country points. The North Dakota farmer's faith in the terminal market was no greater than the trust he was willing to put in the elevator companies of his own locality. There existed a grave suspicion that the terminal market was not all it claimed to be. There were rumors that the weighing and grading of grain had not been fairly done. As a result of such rumors, the Minnesota Legislature in 1891 directed an investigation of the grain business at Duluth to ascertain the facts giving rise to the accusation that there were large overages of grain accruing to the elevators there.²³

Influenced by these activities the North Dakota Board of Railroad Commissioners visited Duluth in August 1891 in an endeavor to secure the adoption of North Dakota grades by the board of trade. Failing in this venture, the commissioners went to St. Paul to persuade the Minnesota Railroad and Warehouse Commission to allow North Dakota inspectors to grade North Dakota grain into the terminals, leaving to the Minnesota inspectors the task of grading and inspecting the outgoing grain. The Minnesota Commissioners, however, were unable to see their way clear to accept such an arrangement, legal difficulties, seemingly, were insurmountable.

Their efforts coming to nothing, the Board returned to Bismarck and in summing up the results of their investigation said:

It appears that there is a profit in wheat over and above handling and freight of thirty cents a bushel, due to short weight, excess dockage, low grades and commissions.²⁴

The question is asked, How is this state of affairs to be met? We answer by legislative enactment if such a thing is possible, if not then the farmers,—the grain growers,—must organize and control their own products. True, the farmers have their Alliance,—a

²³ The Committee, however, heard only one side of the case and in their report advised that the railroad yards be better policed. No attempt was made to investigate actual conditions in the grain trade proper. The report in no way treated of the charge that the elevators were in the habit of obtaining large overages (*The Minnesota Senate Journal*, 1893, p. 466; *The Weekly Northwestern Miller*, Apr. 24, 1891, p. 564).

²⁴ Report of the Railroad Commissioners, 1891, pp. 460-461; Appendix XI.

worthy organization,—but the trouble with the Alliance is that it allows itself to get switched off upon the side track of impractical ideas that will take years to carry out, losing sight of the main issue of how to secure the best returns for their labor.

If the farmers would set aside one cent per bushel of the price of their grain, they could build an elevator at West Superior, handle their own grain and keep agents at Liverpool and Edinburgh to take care of their interests.

This is not a new idea, the millers of North Dakota are organized and do business in the same way. The grain grower would receive his money upon shipment, as soon as it was billed, upon a draft drawn upon the foreign agent.

This entire subject has been outlined to the Honorable E. C. D. Shortridge, President of the Farmers' Alliance of this State, who has fully investigated the same and is in entire accord with the views of this Board.

In the matter of grain grades, we are in favor of delegating that to the Federal Government, so as to secure a more uniform system.

Further the Board has at its disposal a valuable elevator site at West Superior which will be donated by the citizens of West Superior to the Farmers' Elevator Company.²⁵

The Board had made a thorough investigation of the profits of the grain trade and its advice, though slightly radical, as compared with the ideas of the time, was more than warranted by the facts disclosed. Under such circumstances, cooperative marketing appeared to them to be the solution of the whole situation.

West Superior in its eagerness to obtain a grain market had offered the farmers an elevator site. To her business men the time seemed ripe to deprive Duluth of the grain business. Superior possessed the advantage of being outside the jurisdiction of the grain inspection laws of Minnesota, should she so desire. North Dakota hard wheat was in great demand in Europe and the East, but it was claimed that no pure hard wheat such as the farmers of North Dakota raised ever reached the Eastern and European millers unmixed. Superior, therefore, aspired to provide a market where the pure North Dakota varieties of number one hard wheat would be sold unadulterated. Minnesota would thus be forced to cease collecting fees for inspecting North Dakota wheat on Wisconsin soil.

This propaganda coupled with the belief that the terminal

²⁵ Report of the Railroad Commissioners, 1891, p. 460.

traders in wheat were the recipients of great amounts of unearned profits led the farmers to organize in the summer of 1891 a wheat forwarding agency patterned after the North Dakota Millers Association. This organization was called the Farmers' Protective Association and maintained an agent at Duluth to take care of the grain of its members.

The Association was moderately successful the first year and, having had its membership greatly increased the following year because of the unfavorable reports concerning the grain trade, it decided to sell stock for the purpose of raising funds to erect a terminal elevator at West Superior. Suspecting, however, that the sympathies of their Duluth agent were with the grain dealers, the Association made the mistake of removing him and selecting a more radical and less cautious representative for the following year who unfortunately led the organization to bankruptcy during the financial crisis of 1893.²⁶

The farmers looked upon the failure of the Protective Association as a warning to keep out of a business they did not understand. For years afterwards, there was not the slightest inclination to go into the terminal elevator business. Even when the West Superior grain dealers were permitted by the Wisconsin Legislature in 1895 to organize a board of trade and weigh and inspect grain and had arranged in 1896 with the North Dakota Board of Railroad Commissioners to conform with North Dakota standards, the interest of the North Dakota farmer was so slight and his shipments so small that the West Superior grain dealers were forced, in a very short time, to reinstate Minnesota inspection so as to obtain even that amount of grain that normally came to them.

The following quotation from a letter of J. J. Atkinson, Secretary of the Superior Board of Trade, in replying to an inquiry of the North Dakota Railroad Commissioners, explains the failure of the Superior enterprise:

The strongest feature in influencing our people to discontinue the

²⁶ See *The Northwestern Miller*, July 28, 1893, vol. xxxvi, p. 141; *The Cooperative Manager and Farmer*, May 1913, p. 40.

inspection was our inability to secure sufficient wheat to keep our mills in operation. We had expected to be able to do so without any trouble but were sadly disappointed as the average receipts were less than half the amount required for that purpose, and this in face of the fact that our daily sales averaged over half a cent per bushel higher than could be obtained in Duluth for the same wheat.

There were several opposing elements to contend against, the principle ones being the Great Northern Railroad and the elevator interests who combined with the Duluth Board of Trade to defeat us, but notwithstanding all this we would have won had the shippers given us the support and patronage we were entitled to receive and expected.²⁷

In reviewing the history of this period one is impressed, first, with the apparently absolute control of the upper house of the legislature by the corporations; second, with the efforts of the producers to establish competitive local terminal markets by means of legislative enactment or producers' associations. The purpose of the first is obvious but the motives leading up to the demand for a competitive local market are less evident.

Of recent years, the agrarian producer has been looked upon as a radical, often as a radical of the most rabid sort. Since the days of the Grange any change in conditions sought by farmers has been fought most bitterly and even ruthlessly. The farmer has been accused of all the "isms" existing and conjurable. The peculiar feature of the whole movement is that a great number of them actually believed that they were radicals, that they were advocating something new and therefore, possibly, something that ought to be resisted. They expected resistance and if that resistance had not put in its appearance one can be reasonably certain that the farmer would have looked upon his new acquisitions as something untrustworthy.

Whether or not the farmer has been advocating something new may perhaps depend upon the point of view, but it is certain that in combatting combinations and trusts he has not been striving for a better means of maintaining the competitive system but has been demanding and working for the return of the "good old days" when competition brought

²⁷ Report of the Railroad Commissioners, 1896, p. 101 ff.

cheap goods, goods that were sold at a loss to maintain a business that soon went down in the wreckage.²⁸

It is reasonably certain that the farmer did not understand the situation. Power as applied to transportation had broadened the field not only for the producer of raw materials but also for industry in general. In demanding the return of a purely competitive market the agrarian interests were asking for far more than they really understood their request contained. They would bring about competition not in one locality, but a competition of localities, a competition that would bring back the cut-throat days before consolidation. The theory was that this was a desirable condition but actually it seems to have more swiftly brought about the ultimate consolidation of similar interests.

Why, then, it might be asked, did the farmer desire the return of conditions it would be impossible to maintain? Aside from the possibility of more favorable prices the motive seems to lie in the nature of the farmer himself. As we have previously mentioned, the farmer who desires a change in the methods of marketing has been called a progressive and even a radical of every type and description, but if there is any shade of difference between the reactionary and conservative we are inclined to class him among the reactionaries. Since the very nature of his occupation and the fact that he

²⁸ An interesting quotation from the Weekly Northwestern Miller seems to describe fully the trend of thought both among the manufacturers and the general public. "One can hardly pick up a paper that does not contain some reference to a millers' combine to force up the price of flour. Heaven knows the miller has no desire for a trust, yet he wants to save himself from destruction, and if he can only do so by combining with his competitor to limit his production, he certainly has this inalienable right. . . . We have grown weary of trying to explain the flour situation to those who care only to hear one side of the question, and have but arrived at the conclusion that it is all a waste of time. Wheat is wheat and flour is flour and millers have got to look after their own interests for the dear public will most certainly not do it for them. Therefore, mere gossip and idle hue and cry should have no influence on the trade whatever. Millers should go ahead and tend to their own business. Such words as trust, combine, and monopoly are better than failure, ruin and bankruptcy anyhow" (The Weekly Northwestern Miller, Jan. 11, 1889, vol. xxvii, No. 2).

is entirely dependent upon it for a living and the few luxuries he may be able to obtain make him such. He knows only of the methods of agriculture practiced by his predecessors. Since he has learned by example he is loath to attempt methods that have come to his notice through books or travelling theorizers.²⁹ His living depends upon his process of tilling the soil, he feels that he hazards too much to attempt something new. The risk of the weather is great enough. Therefore, the farmer has not only to be persuaded that a new process is good, he must be shown.³⁰

His disinclination to change seems to be transmitted from his work to his business transactions. Here his reactionary tendencies seem to make themselves more evident. He knows only a single method. His few transactions and their immense importance in his life seem to force him to look with suspicion on all things with which he is not entirely familiar.³¹

²⁹ See F. P. Stockbridge, "The North Dakota Man Crop," in *The World's Work*, vol. xxv, p. 88, Nov., 1912; *The World's Work*, p. 600.

³⁰ This has been made amply evident in connection with the boll-weevil campaigns in the South. See O. M. Kile, *The Farm Bureau Movement*.

³¹ This fact in itself accounts for the demand in 1890 that only terminal markets be permitted to buy grain according to grade. The farmer did not understand the process of ascertaining grades and therefore mistrusted it, though the mechanical process was far more accurate than the guesswork of a greedy buyer. See *The North Dakota House Journal*, 1891, p. 177. The following letter is typical of the ideas of the time.

"Dear Sir: I gave Senator Engle the form of a bill for the purpose of righting a grievous wrong imposed upon the farmers. That is this elevator monopoly establishing grades for buying wheat at stations throughout the State. That is the main point to be broken up. For these reasons so long as they are allowed to buy by grades so long will it be a monopoly. . . . Now then in the first place we want a law for the railroad that they will lease to any party suitable grounds on their side-tracks at a nominal rental (it was the usual custom to charge a dollar a year per elevator site), for the purpose of erecting a warehouse or elevator or in lieu thereof shall build a side-track to buildings built for that purpose on land adjoining their right of way, if such is passed they will lease their ground.

"Then it shall be unlawful for any persons, firms or corporations to establish grades for the buying of wheat or other grains at any grain buying stations in this State. The part compelling railroads to lease grounds will bring the elevators to their milk, but we want both; and the result will be that they will have to send men to buy grain that are judges of what they buy, they can't buy by machin-

A further element contributory to the reactionary tendency of the North Dakota farmers was the fact that a great majority of them were foreigners, who because of numerous unprofitable experiences or limited funds were led to distrust anything they did not fully understand. Of the 182,719 people residing in the State in 1890, 45.5 per cent. were foreign born and 79.1 per cent. were foreign born or of foreign extraction. This percentage decreased slightly in 1900, due to immigration from the eastern States, but even then in a population of 319,146, 35.3 per cent. were foreign born and 77.2 per cent. were either foreign born or born of foreign born parents. When it is understood that 92 per cent. of the total population of the State get their living directly from the farm, and the rest depend upon some business that is directly connected with it, it is not surprising that the proposed remedial legislation was so popular, nor is it strange that the legislation demanded should endeavor to restore previous conditions.

The farmer did not understand the intricate marketing system that had been built up to forward his produce to the consumer. Neither did the papers and literature he read explain the system to him. Those he met in the course of his few trips to town, to church, or to school, knew nothing of this system. Should he have endeavored to study the phenomena his meagre education was a heavy handicap. Therefore, because the marketing system was strange it was something to be feared, something to be controlled most rigorously if not done away with entirely.

Further, the farmer did not realize that competition was only one phase in the development of an industry, that its law was the survival of the fittest and that the policy of the survivors was to be the exploitation of a monopoly. He was

try. . . . It is necessary that there be grades at terminal points, as Duluth and Minneapolis, but no points inland. . . . I have bought wheat for twenty years and know about all the crooks and turns in it.

Very truly yours,

blinded by the greed of high prices for his products, he saw that competition brought these prices, therefore competition was desirable. It never occurred to him that these prices were founded upon ruin and bankruptcy, and that there was a limit to the abilities of any firm.³²

The factors entering into the demand for higher prices, we must leave for a later discussion. As yet the North Dakota farmer had not reached the second phase in organization. His success in his endeavors to secure loading platforms had, for the time being, solved the problem of securing for himself a fair market. The farmers' elevator movement in North Dakota came at a later period. At this time the producer, because of his lack of capital and distrustful attitude towards anything new, had busied himself in the perfection of a regulatory body whose function was to force competition in the grain trade, and fair treatment of patrons by the railroads. This regulatory body was the Board of Railroad Commissioners. In following the activities of this Board, one is impressed with the speed and decision with which it acted. Since it had been given no powers by the constitution but was to act solely according to the dictates of the legislature, the contest between the producers, transporters and buyers, centered around the efforts of the farmer members of the legislature to provide it with ample power to control the marketing system. Since the business of buying grain was closely allied with the railroads it was but natural that the legislature would look to the Board of Railroad Commissioners for service in this field.

The great difficulty had been to secure the fair treatment of the independent shippers. This was the function of the early Board. It was but one step further to regulate the

³² It has been estimated that the education of the average farmer in North Dakota did not exceed the fifth grade. When his children went away to college they either studied Medicine, Law, Latin or Greek, consequently when they came back to practice, teach or preach, they knew very little more about the marketing system than when they went away. They all, therefore, were prone to follow the popular fallacies and believe in the accusations of the office-hunting demagogues.

activities of those who bought and sold on the railroad right of way. Though the debates of the constitutional convention do not disclose that the Railroad Commissioners were also to supervise the grain business, yet there was ample precedent in the action of other States, Minnesota having delegated the complete control of the grain trade to her Board of Railroad Commissioners in 1885. Whether or not there had been any intention on the part of the constitutional convention or precedent set by another State to empower the Board to control the grain trade, the fact remains that the first legislative assembly set out to control the marketing of grain through the Board of Railroad Commissioners. As has been mentioned above, these first efforts of the legislature largely miscarried because of its anxiety to provide the Board with ample power, yet the Board, largely on its own initiative and without any direct delegation of power, guarded effectively, during the first year of its existence, the interests of the shippers. It secured from the railroads the better distribution of cars, and also handled with dispatch and apparent satisfaction all complaints concerning the handling and shipping of grain.

It was not, however, until the election of the second Board in November 1890 that the Commissioners began to develop their full powers. Under the leadership of their chairman, George H. Walsh, the Board, supported by ample authority from the legislature, seemed to take on an additional function that it has retained to the present time. As law after law, which had for its purpose the restoration of competition among the buyers at local points, failed of its purpose both because of the difficulty of differentiating between intra- and interstate traffic, and also, because of the impossibility of controlling the terminals which lay outside the jurisdiction of the State, the Board seems to have been slowly transferred into a powerful agency whose function it was to sit as a judge in all controversies of an economic nature which in any way affected the marketing of grain. Acting in this capacity we see them rise as a sort of board of arbitration with ample powers to enforce their decisions.

Since it was not possible to force the elevators to compete, the Board made it their business to see to it that the individual shipper was amply protected in his rights. Thus, the Board in its endeavors to secure to the individual a broad and fair market had become a sort of tribune of the people, and not only protected them when they complained of abuse, but acting often upon its own initiative it championed the cause of the oppressed.

This development of a sort of paternalism was an important factor in the generation of the ideas that the government had it in its power to do that which was impossible for the individual to accomplish, and seems to have given rise to the feeling that if there was but a law to cover the case an evil would be righted by the simple action of the Board. The idea of the law providing only a remedy which the courts apply on the motion of a plaintiff seems to have been lost sight of. For the Board of Railroad Commissioners the guardianship of the most important industry of an entire commonwealth was their trust. No complaint was too petty nor individual interest too small to be overlooked. Absconding elevator men were brought to justice, bondsmen were forced to pay in full for grain stored in elevators of insolvent corporations, railroads, considered the giants of oppression, were forced to play fair in the distribution of cars, the leasing of elevator sites and the construction of platforms and depots. It is with little wonder, then that the people came to look upon the Board as a superhuman agency endowed with superhuman powers.⁸³

When we consider the character and source of the people it seems as though this idea had found fertile soil. The immigrant settler had come from lands where the government, seemingly, was all powerful and where it had acted along paternalistic lines for generations. So, we might say that the nature of the people led them to paternalism, and paternalism itself was a large factor in discouraging the study of actual marketing conditions. It is not the purpose of this

⁸³ Appendix XI.

paper to convey the idea that this sense of government protection pervaded all persons in the commonwealth. It is enough that the great majority of the people looked to the government as an all powerful something that was supposed to watch unceasingly over their interests.

We have thus seen in the history of the new State, from the approval of the enabling Act in 1889 by President Harrison to the presidential campaign in 1896 that the general tendency of agrarian laws and agrarian policy was to attempt to bring back competition to an industry where competition had run its course. Failing in this, the farmers forced the railroads to provide them with better loading facilities. These loading facilities in the shape of platforms had the effect of bringing the farmer directly into competition with the local buyers. Thus the farmer himself was forced into the market in order to secure better prices for his produce. Acting through the Board of Railroad Commissioners, though fancying that this action came directly from the Board itself, the farmer had brought himself to believe that the Government, because of its power, was super-human and something apart from and greater than the people.

We see then, that by means of the protection of this Board the farmer had secured for himself a local competitive market in which he himself had become one of the chief actors. He had contributed scarcely any capital to this movement but the volume of his business had been an important factor in keeping the trade open. Thus while the movement in the older wheat growing States was tending toward the building up of a local cooperative marketing system which would include the purchase of elevators and expensive machinery and which, in addition, demanded whole-hearted community cooperation, the North Dakota farmer, because of his poverty and the great demands for capital for other and more imperative purposes, had contented himself with loading platforms and individual action to bring about normal price conditions in his local market.

We must notice then that during this period the farmer,

though at times he had been opposed most vigorously, was able in the end to secure all the reforms he most earnestly desired. There was no time during the whole period that we find the legislature or the government as a whole, opposing the wishes of the great majority of the people, so that all in all the legislature did its best to bring back competition to a business which had passed that stage a score of years before. So we can say that the outstanding feature of the North Dakota grain trade at the end of this period was that it was competitive but this competition differed from that of the earlier periods in that it was now a competition between methods of marketing and not a competition of dealers. The way was thus left open to the farmers for participation in the marketing of their products at country points and the eventual rise of cooperative elevator associations.

CHAPTER III

THE COOPERATIVE ELEVATOR MOVEMENT

We have seen that the cooperative elevator movement in the older States was furthered, not by the activities of the farmers, although they furnished the capital and shouldered whatever risk might be entailed, but by a few commission men who saw the possibilities the movement offered, and risking what little they had, entered energetically upon a campaign to establish a large clientele composed of cooperative grain elevators. The cooperative elevator movement in North Dakota offers no modification of this procedure. The movement itself was influenced by several other factors and also by the gradual decrease in the profits returned from the soil and the gradual increase in the value of the land. Aside from the economic, the most important of these factors were three in number, first, the federal and state investigations of the grain trade together with the demand for federal inspection; second, the Duluth-Superior controversy, and finally the American Society of Equity and the Equity Cooperative Exchange. In the consideration, then, of the transition of the methods of marketing in this State from that of the individual shipping of grain over the platform to the group marketing of farm products through local cooperative associations we must consider the factors mentioned above more minutely.

Previous to the consideration of these last named political influences, as we shall designate them, it will be necessary to consider briefly the location and economic condition of the State.

When North Dakota was settled, industry had long since gone out of the home and farmers were working and producing for the market, not for their own needs or even for their own consumption. Often the land holdings were very large and the new settlers were landed proprietors rather

than crofters or cottagers. Their crop had to be sold in the East and their supplies of every kind had to be bought in the East, and the money which was needed to develop the land and move the crops must have the same origin. Millions were necessary for the development of this new territory, and not only had these millions to be borrowed that the settlers might produce but outsiders must themselves own and construct the main arteries of trade. Small grain in the eastern part of the state and cattle in the western part were the settler's only stock in trade. These must be sold at the terminals, Minneapolis, St. Paul and Duluth, and these terminals were in Minnesota, outside the jurisdiction of the government of the State of North Dakota. The entire business of the whole commonwealth was centered in these foreign terminals.¹

In the early years of the history of the State the business of buying grain was carried on by independent buyers and elevator companies so that the farmer did not come into contact with the commission men, boards of trade and millers of the terminal cities.² It was probably for this reason that the Alliance plan of state-owned elevators was lost sight of so quickly, and it was more than likely due to the same cause that the movement for better grading and fairer treatment at the terminals, which was sponsored by the Superior Board of Trade in 1895 and 1896, failed. The farmer, as we have noted above, did not understand the marketing system, and further, he did not care to be drawn into any dispute between the local buyer and the terminal. He probably reasoned that if the terminal was able to cheat the country elevators that was their own affair. He felt that he was being dealt with unfairly by the local dealers and anything that might tend to even the score was probably a good thing. He did not perceive that any sharp practices on the part of the terminals

¹ C. E. Russell, *The Story of the Non-Partisan League*, p. 17; A. A. Bruce, *The Non-Partisan League*, pp. 23-27.

² *The Cooperative Manager and Farmer*, September, 1914, p. 33.

would reduce the price he was paid for grain.³ It might, however, be claimed that the farmer maintained his connections with the terminals by means of the practice of shipping over the platform. This does not seem to be the case, since the platform was used only as a means of forcing the local elevators to bid closer to the market. The farmer's objective had been achieved when he had raised the local price by local pressure.

We have previously noticed that the State of North Dakota, since it had been settled subsequent to the establishment of the milling centers, was developed by the railroads as a territory dependent upon those terminals. Since those terminals were both distant and beyond the jurisdiction of the State the majority of the producers did not interest themselves with their activities. The period now under consideration concerns itself with the awakening of the producers to the influence of these terminals upon the market value of their crop and can be divided into two parts, the first, the years from 1896 to 1903 and the second from 1903 to 1915. The first we can describe as a period of dormancy or quiet as compared with the second which we shall term a period of agitation.

The years 1896-1903 with the exception of 1900 had been

³ The number of farmers' cooperative elevators operating in the State in this period gives one a fairly accurate idea of the number of connections the farmer maintained with the terminals:

Number of Farmers' Elevators in North Dakota 1891-1905

1891	1892	1893	1895	1896	1897	1898	1899	1900	1901	1902	1904	1905
10	11	2	6	5	3	4	5	4	8	13	13	41

This is all the more striking when it is known that at no time was the number of privately owned elevators less than seventeen hundred. The table includes only those elevators whose owners appeared to be an association of farmers. It does not include a number of elevators operating under the corporate name, "Farmers' Elevator Company," but which from all appearances were controlled by interests other than farmer associations. See Reports of the Board of Railroad Commissioners 1891-1905. The fact that less than five per cent of the grain sold on the floors of the exchanges was sold for the producer is an indication of the entire separation of the producer from the terminal market. It took him a long time to perceive that his price ought to be the terminal price less freight and handling charges.

good crop years with fair prices. At no time did the average value of the wheat crop fall below \$6.50 per acre. Yet during this period the yield per acre in the older sections of the State decreased materially, but the farmers extended their operations to larger and larger areas with the net result of a greater per capita production than at any prior date. They were therefore able, for a time, to command a larger gross profit with a smaller margin per bushel than ever before. The size of the average farm had increased from 277 acres with 169.8 improved in 1890, to 342.9 acres with 212.8 improved in 1900, and to 382.3 acres in 1910 with 275.1 acres improved. Whereas in 1890, 91.5 per cent. of the farms were between 100 and 499 acres in size with the great majority probably of 160 acres, we find in 1900, 40.8 per cent. were of about 160 acres, and 32.4 per cent. between 260 and 499 acres, probably the greater number of which were of 320 acres. In 1910 we find that 72 per cent. were between 100 and 499 acres, and that of the 74,360 farms in the State, 12,662 were between 500 and 999 acres and the percentage of smaller farms had decreased. Where in 1900, 40.8 per cent. of all the farms were of about 160 acres, we find, ten years later 30.9 per cent. were of this class, a decrease of almost ten per cent. The number of farms having an acreage of from 260 to 499 had more than doubled, being 46.3 per cent. of the total number of farms.

From the above we may imply that the land, which was first obtained for nothing or else for a small charge was now rapidly becoming capitalized, since any increase in the size of the farm meant the acquisition of additional land by purchase. In 1890 the average value of farm land was \$13.10 an acre. This had increased to \$16.50 in 1900 and to \$34.30 in 1910.⁴ The richer and more fertile Red River Valley land was quoted at from \$20 to \$25 an acre in 1890 and had increased to about \$50 in 1910. When it is understood that the capitalization of the land carried with it high interest

⁴ United States Census Bureau Reports on Agriculture, 1890, 1900, 1910; Appendix VII.

charges, ranging from 7 to 12 per cent., it can readily be seen that the net income per acre to the farmer would be materially reduced. As long, however, as the value of the land was small and the yield large, which was the case in the newer sections, the interest rate and the capitalization did not materially or for any length of time affect the net income or the expansion of the holdings of the individual farmer.

The tendency was towards expansion, and in the first part of the period it is safe to say that this expansion implied extensive wheat farming. However, in the second part of the period this does not seem to be the case. Where in 1891 the ratio of cultivated acres to horses was 29.7 and in 1899, which seems to be the peak of the extensive farming movement, the ratio was 31.3, by 1903 it had decreased to 19.5 and to 15.3 in 1908, and did not rise again above 21.3 during the remainder of the period under consideration.⁵ When we compare this ratio with the ratio of land sown to wheat to horses we notice, with the exception of the two years 1905 and 1906, that there is a gradual rise in the difference of the two ratios.⁶ This fact seems to imply that the land sown to wheat in proportion to that sown to other crops was de-

⁵ Plates I and II, which show respectively the ratio of acres of land sown to wheat to horses and the ratio of cultivated land to horses, are based on statistics contained in Appendices I and II. The ratio for the years 1890 to 1900 from all information obtainable was higher than that shown, since the number of horses includes from 25,000 to 50,000 range horses or bronchos, not used for field work. In addition the farmers during this period were extremely reluctant to divulge the extent of their plantings, the tendency being to under-rate the size of their fields. For these reasons the acreage per horse should be considerably higher than it is. Because of the lack of statistics the acreage cultivated by tractors is not available. It would therefore appear that the ratio for the years 1913 on should be much lower than they are. Tractors used in field work increased in number up to 1921 when it began to be unprofitable to use such expensive power. These observations bring out the fact that the trend towards intensive cultivation has been much steeper than the actual figures make it appear.

⁶ The rise in the acreage in 1905 and 1906 seems to have been affected by both the higher prices for wheat and the expectation that the American Society of Equity's campaign for "dollar wheat" would again be successful. See Plate III.

PLATE I

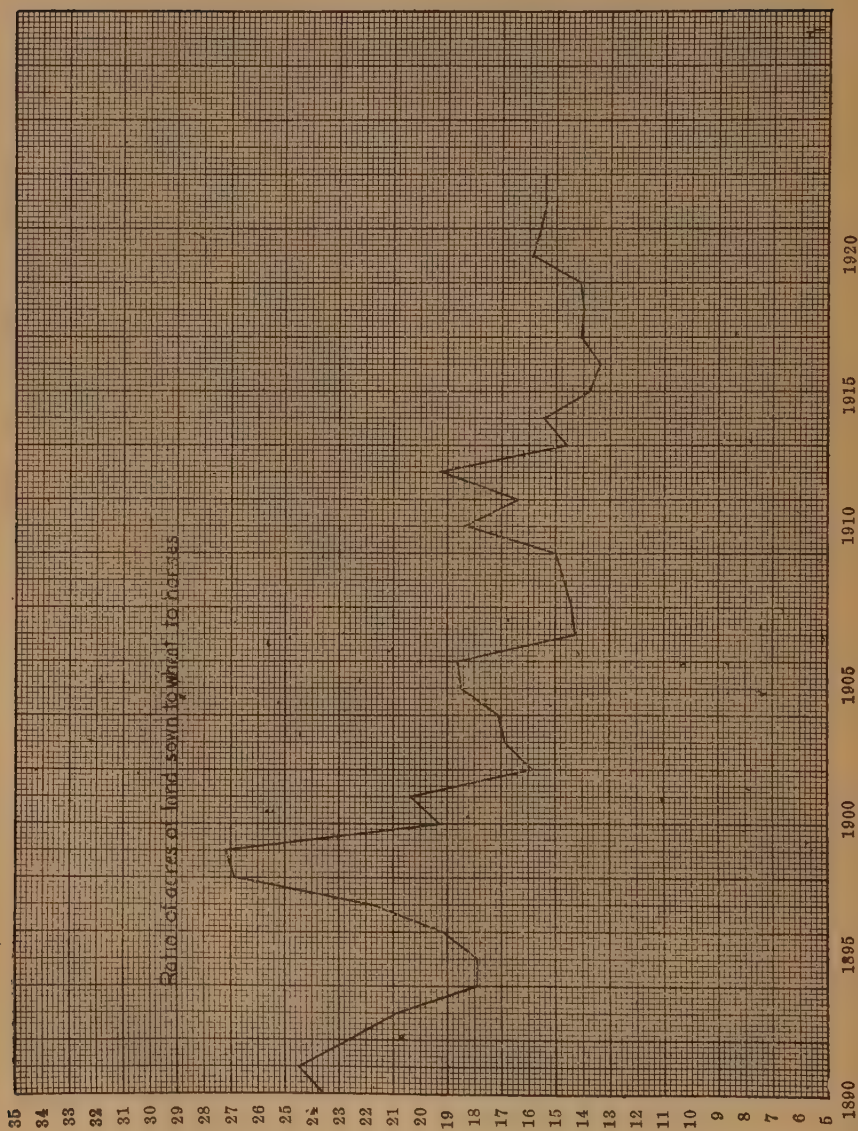
Acres per
horse

PLATE II

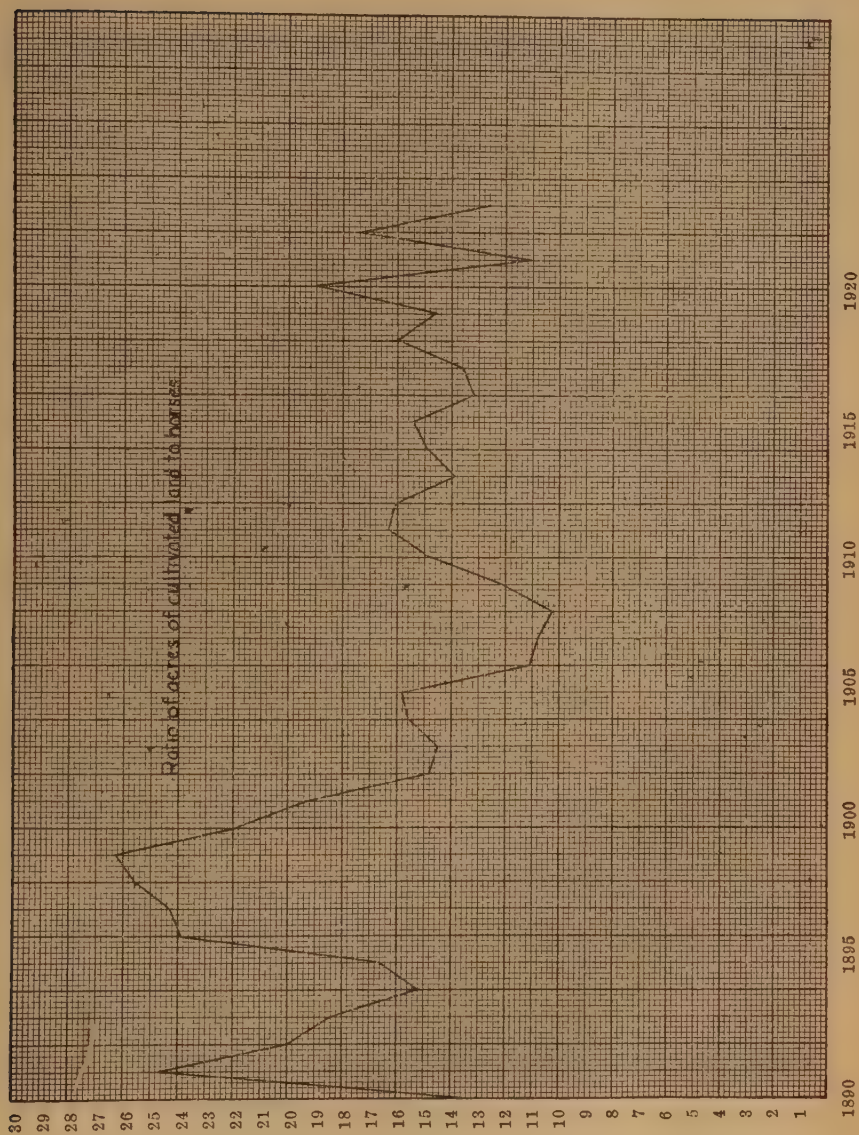
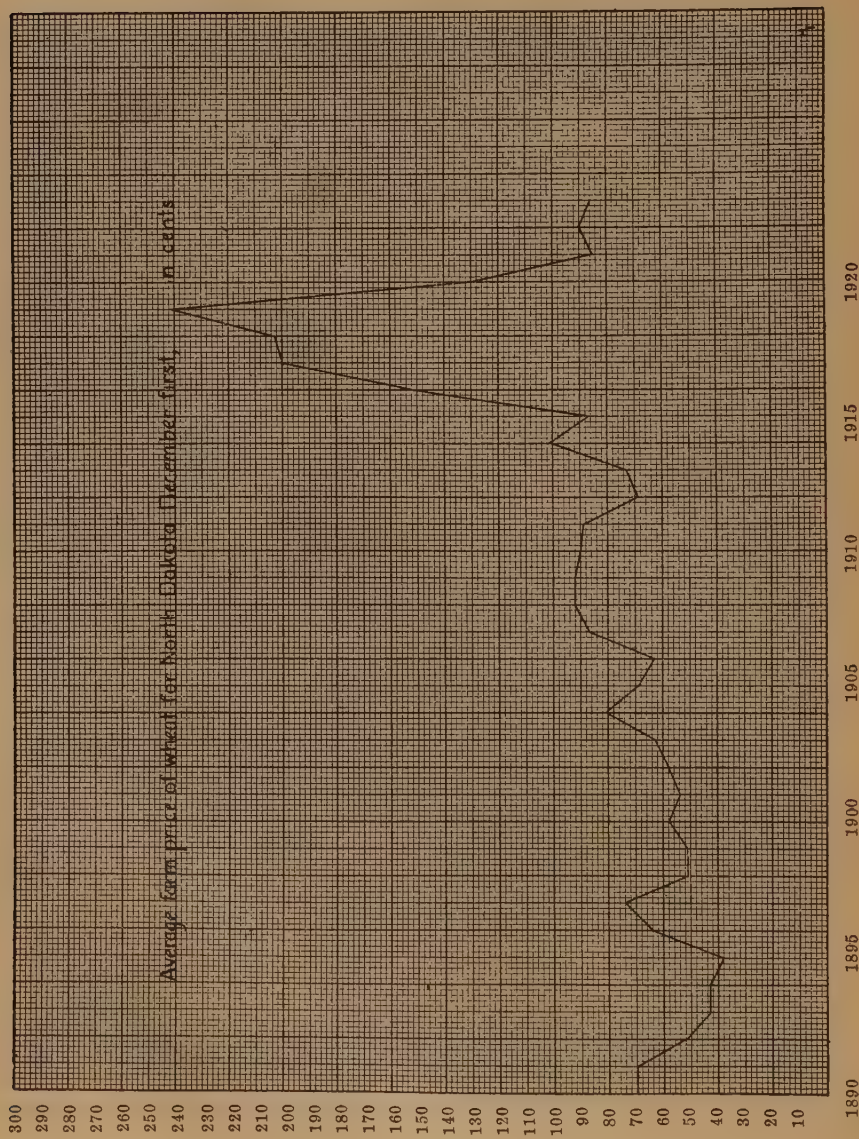
Acres per
horse

PLATE III

Cents



creasing and that the application of more power per acre was an indication of a change to intensive farming, but at the same time the farmer seems to have been endeavoring to make up for the extra cost of better farming by farming larger areas.⁷

From the previous discussion we may infer that the net income of the farmer was diminishing, since the cultivation of less land by each horse meant more draft animals per farm or else the decrease in the size of the farm. Since the size of the average farm was increasing, the decrease in the ratio meant a still greater increase in the number of horses, and since the increase in the number of horses meant more stable room, feed, and draft equipment, which meant an increase in the depreciation of equipment due to wear and tear, and since in addition to the above this increase in stock meant an increase in the amount of land sown to feed for this increased power, we can safely say that in the second half of the period under consideration the net profits of the farm were diminishing, and it is the gradual realization of this fact that led the farmer to give ear to the theories of agitators in order that he might increase his net returns so as to approximate those of the earlier extensive period. This agitation was listened to in spite of the fact that the price of wheat had been gradually rising and was supposed to have compensated the farmer for his increased investment in the article he produced. When we consider, however, the average income per horse in the value of the wheat it produces, we

⁷ Quoting Dr. Coulter, who has made an intensive study of the Red River Valley section: "The movement towards extensive cultivation seems to have reached the maximum in 1900. The area cultivated to wheat in proportion to the improved land area has already commenced to decline and in the rotation of crops we find that bare summer fallowing holds a very prominent place. This is being reduced by the introduction of more livestock which in turn calls for more pasture, more hayland, timothy, clover, millet,—more corn both for fodder and the grain and more barley. With the cattle come more barns, dairy equipment and groves of trees. . . . A reorganized, diversified system of agriculture is making rapid inroads in the valley of number one hard wheat" (J. L. Coulter, *The Industrial History of the Red River Valley*, in *North Dakota Historical Collections*, vol. iii, pp. 666-667).

find that that income in the second half of the period has a downward trend, and this fact, taken into consideration with the upward trend of the prices of farm equipment, would greatly reduce this income. Therefore, the farmer who had increased his investment both in power and in land found that his net income had not only not increased in proportion to his investment but in some years had shrunk to the vanishing point. From the preceding we might therefore conclude that though the agrarian discontent, increasing in intensity with the rise in the price of the agriculturist's chief product, might, at first glance, appear to be paradoxical, yet on closer examination this phenomenon appears to be directly connected with the decrease in the volume of his profits.⁸ We must not imply from the above that wheat farming had in any way lost its importance as the chief occupation of the State, but nevertheless wheat, which is the chief money crop of the farm, was decreasing in acreage,

⁸ Farming today is a matter of power. It has appeared, therefore, more appropriate in the calculations shown in Plates I, II, V and VI to use the horse as a unit rather than man. The number of acres a man can take care of during a season has increased very greatly during the last half century due to the use of labor-saving farm machinery. This machinery requires power for its operation and since the amount of work a horse can do is comparatively constant (a horse under load is not driven much over twenty miles a day) and the labor saving machinery has only increased the number of horses one man can control, the acreage worked by one horse, it appears, would indicate fairly well the intensity of cultivation. When we use the income per unit of power as an index of the income of the farmer, it seems that it is possible to arrive at a closer approximation of the condition of the farmer than if we use per capita production, at least in the small grain districts where power is the true source of income. If we take the five year average wheat income per horse, the downward trend becomes more apparent. A feature of this plate worth noticing is the fact that the beginning of each agrarian agitation is approximately marked by a trough in the graph. We have plotted the five-year average shown in Plate V in the terminal year because the farmer's activities seemed to be based on crop conditions and prices over such a period. He seems to be continually forecasting over a base of about that length. The mortgage period of five years seems to tend to either encourage such habits or to be a direct result of them. In questioning farmers concerning previous crops their knowledge of both yield and price, as far back as five years, is surprisingly accurate. See also on this point, Bulletin 1224, U. S. Dept. Agriculture.

PLATE IV

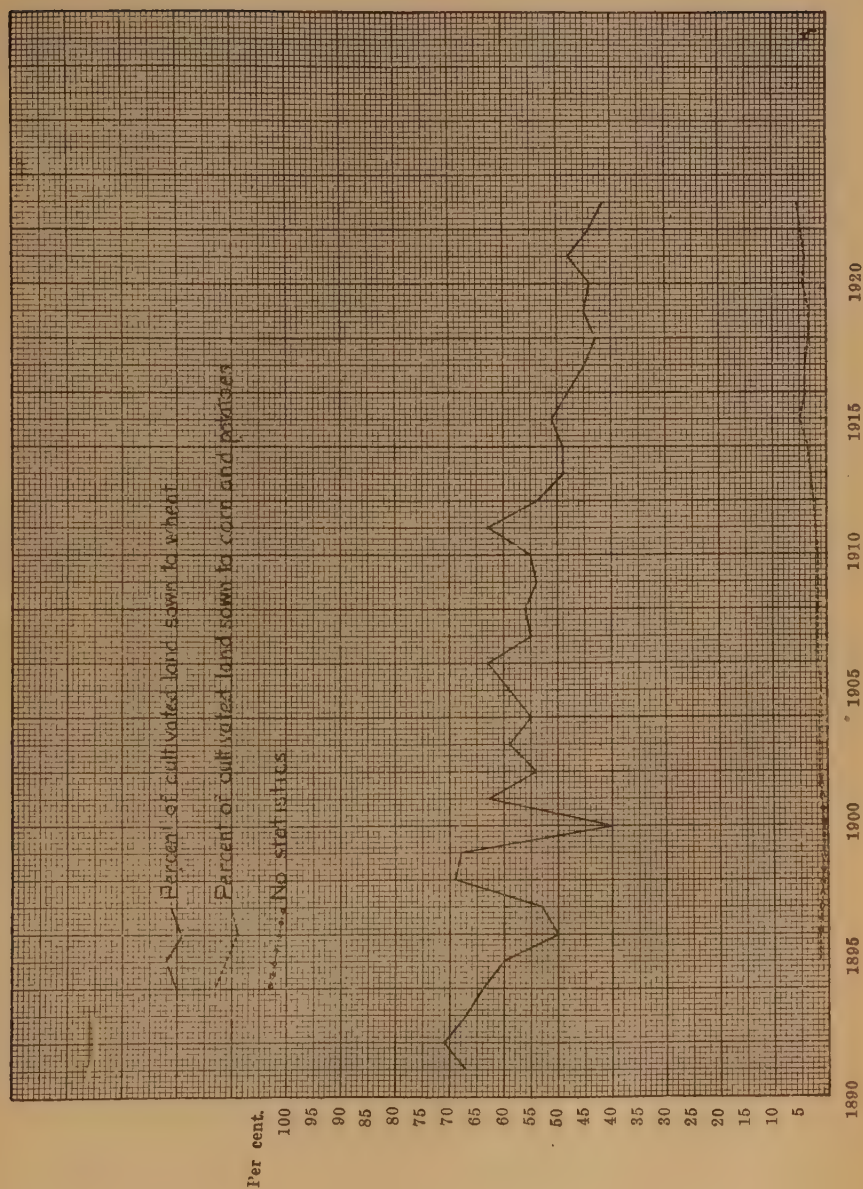


PLATE V

Dollars

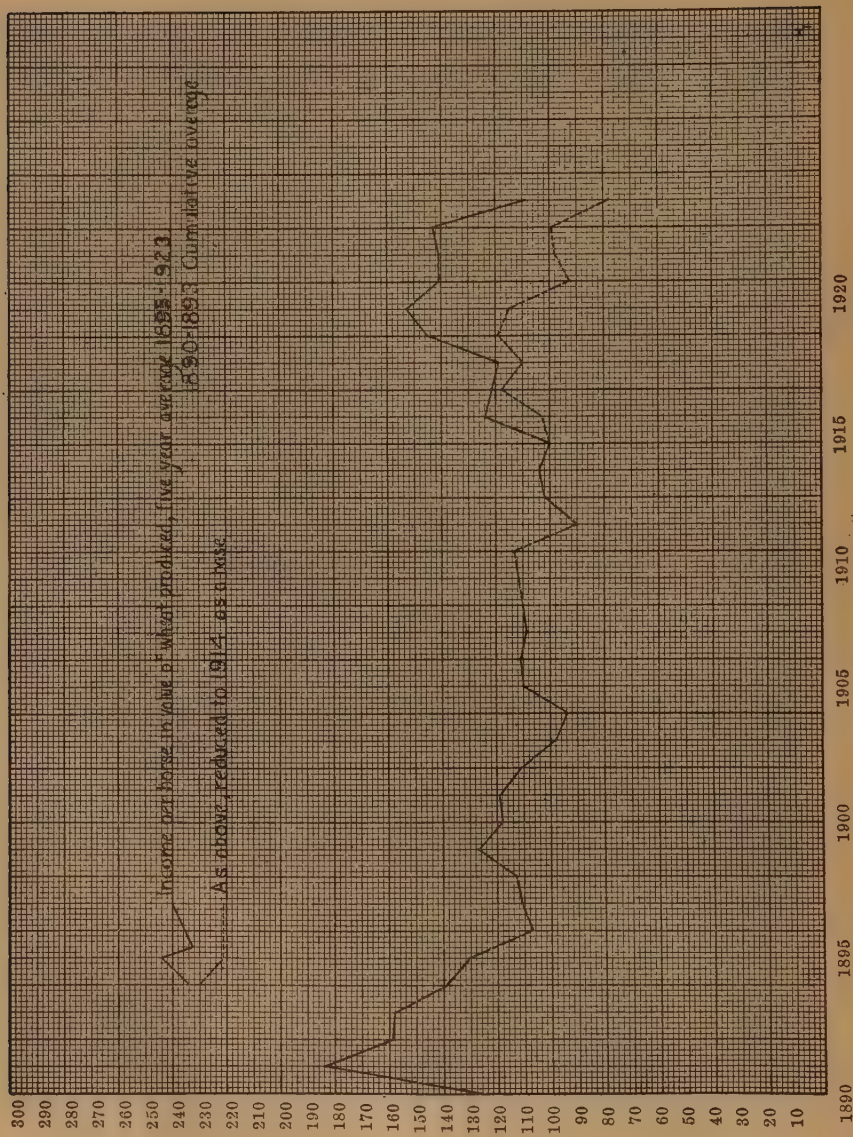
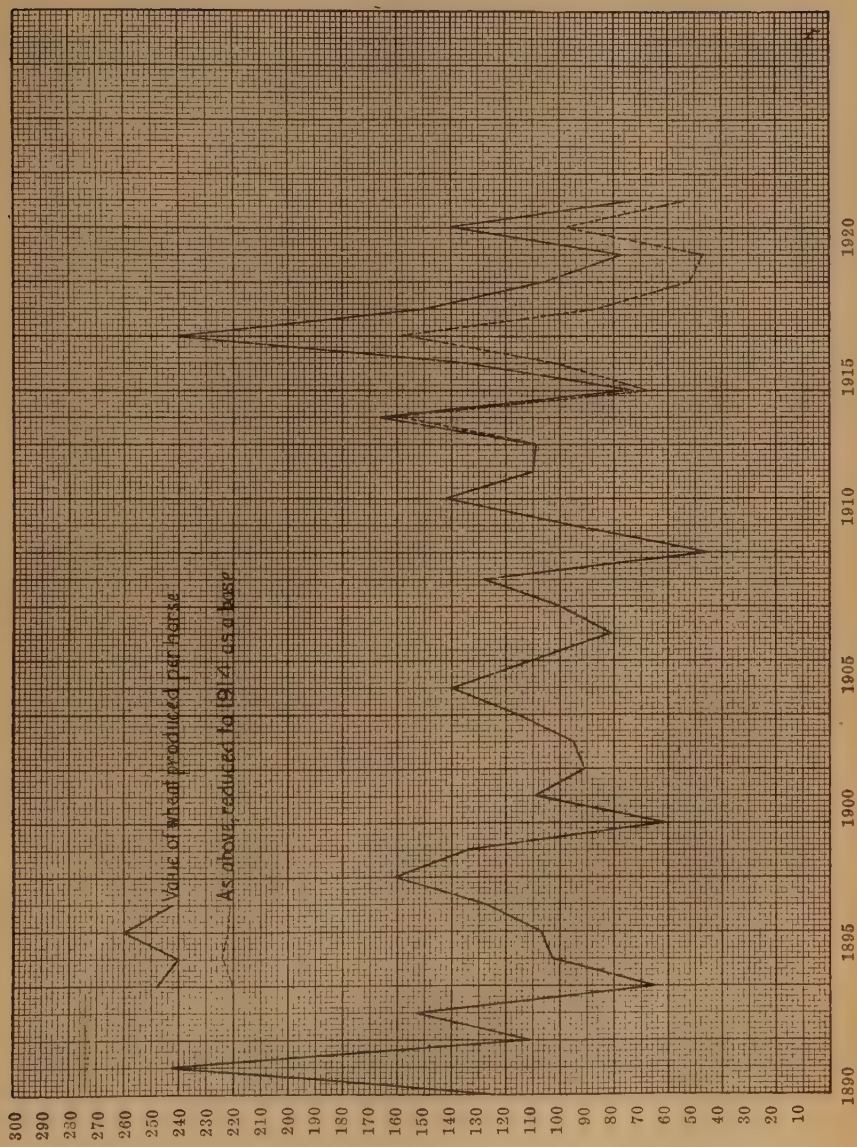


PLATE VI

Dollars



for while in 1890 the acreage sown to wheat was 89.3 per cent. of all small grains sown, in 1900 it had decreased to 75.2 per cent. and in 1910 to 71.7 per cent., and we find, on the other hand, that the acreage sown to oats, barley, corn and rye, which are used primarily to clean the soil, had increased materially.

Bearing in mind then: first, that the State of North Dakota was developed subsequent to the location of the industry for which she produced a great part of the raw materials, and that those industries together with the markets which they created lie outside the jurisdiction of her government; second, that the farmer was the recipient of diminishing profits due to the added expense of conditioning his land, the diminishing acre yield of his wheat crop and the increasing capitalization of his land; and finally, that the farmer had increased both the amount of his land and the number of his horses, and that these additions seemed to fail to realize for him an increase in his net profits, we will pass to the consideration of those political factors which we have mentioned above.

We have previously divided the period which we are considering into two parts, the first of which we pleased to call a period of quiet or dormancy as compared with the second which we termed a period of agitation. We have also endeavored to show that the economic forces which were acting to bring about a period of discontent had their origin in the previous period and only gradually made themselves felt. It is therefore natural that the political factors influencing the agrarian movement should come in that period in which a prevailing feeling of discontent could be taken advantage of in order to convince the producers that there was a situation to be remedied.

Even previous to the first period and also during it there were signs of unrest. As early as the fall of 1891 we have noticed that the Board of Railroad Commissioners had investigated the grain trade and had suggested certain remedies, the most conspicuous of which had been that the farmers cooper-

ate to market their own products and also that the Federal Government take over the grading and inspection of grain. These proposals came during the early agrarian agitation and, because interest at that time centered in local country marketing, seem to have been lost sight of a few years later, although the legislature endorsed the idea in 1893 and even went so far as to vote money for a state-owned terminal elevator.⁹

We saw also that the Superior Board of Trade had endeavored to make use of the natural differences and suspicions between the farmer and the middleman in order to bring the grain trade to West Superior but had failed because of the lack of interest shown by the North Dakota shippers. From that time (1896) to 1899 we find the shippers and buyers of grain at West Superior actively engaged in the undermining of the confidence of the wheat growers in the Duluth Board of Trade.¹⁰ To such an extent had rumors of huge discrepancies at Duluth, both in weights and grades, gained credence that in 1899 the legislatures both of Minnesota and North Dakota decided to investigate the grain business. The Minnesota resolution carrying the appointment of the investigating committee and embodying all the grievances, both real and imaginary, known to the grain trade was, in substance as follows:

Whereas it has been freely charged that the department of grain inspection has become corrupt; that the inspection has been in the

⁹ Minnesota also enacted such a law and actually set about building a terminal elevator at Duluth, but construction was stopped by an injunction, and although the district court of Ramsey County held the law constitutional the State Supreme Court reversed the decision on the ground that the State had the right to regulate the grain trade but could not go into the business (*Rippe vs. Becker*, 56 Minn. 100).

¹⁰ The 21st Annual Report of the Minnesota Chief Inspector of Grain, Aug. 31, 1906. Although this report was written chiefly for the purpose of "whitewashing" the Minnesota inspection system, it contains valuable information of the activities at the head of the lakes at this time. Read in connection with the speech of G. B. Hudnall, delivered before the North Dakota Bankers' Association, it throws considerable light on the motives of the West Superior grain dealers (North Dakota Bankers' Association Convention Notes, 1906).

interest of the buyer as against the sellers and producers; that grain has been inspected in as number two or three and inspected out as number one; that the dockage has been unreasonable, unjust and excessive; that the department has employed incompetent and corrupt men as inspectors; that the only qualification necessary to secure a place on the force was political pull; that a large number of men have been employed who have performed no other service to the state save and except that they have regularly drawn their salaries; that the freight charges on farm produce have been extortionate, unequal and unjust; that the distribution of cars for the shipment of grain have been unequally distributed and often withheld from independent shippers; that the public elevators, licensed by the state, have formed unjust and corrupt combinations to buy grain at from one to two grades below what it actually was, and to take excessive dockage. Now therefore, . . .¹¹

This resolution was followed on January 14, 1899, by a resolution of the North Dakota Legislature which read as follows:

Resolved, that whereas much complaint has been made and much dissatisfaction exists as to the grades fixed upon grain shipped from this state by grain inspectors of Minnesota,

And whereas in the inspection of such grain the authorities of this state have no voice,

Therefore . . . a committee be appointed to visit and consult with the proper authorities of the state of Minnesota with the view to securing cooperation and suitable legislation in the states of Minnesota and North Dakota to provide for a representative of the state of North Dakota to confer with and to assist the inspector of grains in Minnesota in fixing proper grades upon grain grown in North Dakota and shipped to Minnesota terminals.¹²

After a lengthy investigation which subjected the state inspector of grain to a rather embarrassing examination the Minnesota legislative committee reported April 17, 1899, as follows:

From the investigation held before this committee it appears that wheat inspections have not been uniform throughout the year; that the grading of wheat has been rigid the first three or four weeks of each season and less rigid the rest of the year, and we cannot in too strong language condemn this practice as it must necessarily result in great loss to the producer from the fact that a large proportion of the crop has been marketed before the change takes place

¹¹ Speech of Senator P. J. McCumber, p. 4, 60th Cong., 1st Sess., S. Doc. No. 116.

¹² North Dakota House Journal 1899, p. 131. An attempt was also made to empower the committee to visit Madison, Wisconsin, to make similar arrangements should the effort to secure better treatment from Minnesota fail.

and on all wheat sold prior to that time the loss must necessarily fall on the producer.¹³

As a remedy for the situation the Minnesota committee proposed a board of appeals and the introduction of a mechanical means for grading grain, if such a method of grading could be devised.

The North Dakota legislative committee, though agreeing that the situation needed a remedy, was not inclined to look for this remedy in state action. They were not in favor of doing away with all state inspection, nor did they think the establishment of inspection at terminal points in North Dakota would be of any benefit. Since inspection was only the act of placing upon a commodity a mark whereby its value could be ascertained, the encouraging of two competing systems at Duluth and West Superior would not bring relief nor would the improvement of the Minnesota system remove the doubt in the minds of the shippers, therefore the committee unreservedly favored Federal inspection, saying further:

The interests involved in the inspection of grain in the United States or any considerable portion of it are altogether too great to be subject to the influence of local state politicians, the existence of a large number of complicated systems do not, we believe, result in any additional good to the grain raisers and shippers or to anyone else concerned, but on the contrary lead to dangerous manipulations of grain in large quantities, and dishonest, unhealthy speculative deals which cannot but discredit and cripple the trade. The right of the people in every state to be heard cannot be disputed. It seems imperative that inspection be done at lake and tidewater points. Neither the large elevators, railways and vessel interests nor the interior agricultural interests should be interrupted or be subject to interruption by state politicians or by local ambitions of vessel-port cities.¹⁴

This was the most thorough study of actual conditions that the grain trade had experienced. It was noteworthy for two

¹³ About one-third of the wheat crop is usually marketed prior to October 15, the date after which the wheat inspection usually became easy (Report of the Joint Committee to investigate charges against grain inspection and prison-made binding twine, April 17, 1899, Minnesota Senate Journal, Appendix, p. 1253).

¹⁴ Report of the Grain Committee, p. 464, North Dakota House Journal, February 20, 1899. This report was endorsed by the legislature, and a joint memorial and resolution was forwarded to the United States Congress praying for Federal grain inspection (North Dakota Session Laws 1899, chap. 187).

reasons: first, because it was evidence that the farmers were beginning to analyze their business and business connections, that they had begun to realize that the marketing of grain was more than a local transaction, also that they were part of a huge and complex system that required the power of the nation to supervise and control; second, because the Minnesota inquiry was directed almost entirely at Duluth, and this in itself seems to point in an almost incontestable manner to Superior as the origin of the agitation.¹⁵

We have seen above that discontent among those producing and dealing in grain was of long standing. It is therefore not surprising that differences such as existed between the States of Minnesota, North Dakota and Wisconsin should find mention in the national legislature. Specific attempts to remedy the defects in the grading and weighing of grain, however, do not become evident until after the admission of North Dakota to statehood, and this seems natural since the other grain producing states had more or less of a home market for their grain among the small local millers who were an important check on any unfair practices attempted by the terminals. Thus it was not until the development of North Dakota that the deficiencies of state inspection began to become very noticeable.¹⁶ As early as 1891 Senator Casey of North Dakota had presented petitions from his constituents favoring Federal inspection. Later in the 53rd Congress he had introduced a bill which would have empowered the Federal Government to grade grain.

This early agitation for Federal control of the grading of grain was a direct result of the Alliance campaign for better conditions and died out quickly when the Populist Movement lost momentum. It was not until the second half of this period that efforts to secure Federal grain grading again

¹⁵ See also on this subject, 60th Cong., 1st sess., S. Doc. No. 116; H. C. Stivers, "Elevator Overages of Duluth Terminals," in *Superior Evening Telegraph*, May 2, 1903.

¹⁶ Bills for Federal inspection of grain had been introduced by Senators Paddock and Sherman. Senator Sherman's bill was adopted by the Senate but failed of passage in the House (60th Cong. 1st sess., S. Doc. No. 116).

became numerous, taking the form of endorsements of the efforts of Senator McCumber who had, since his appearance in Congress, kept the subject continually before that body.¹⁷

It will not, however, be necessary for the purpose of this paper to follow the history of the agitation for Federal inspection from 1891 to the approval of the United States Grain Standards Act on August 11, 1916.¹⁸ It will only be necessary to state that the consideration of this subject in Congress was accompanied by elaborate hearings and investigations at which the proponents of government inspection and those dissatisfied with the existing system could air both their views and their grievances.¹⁹

The most important and probably the most interesting of these investigations was the one conducted by the Interstate Commerce Commission in obedience to a resolution introduced by Senator La Follette and adopted by the Senate June 25, 1906.²⁰ It was an important factor in leading the farmer to realize that it was the terminal that must be controlled and that in controlling the terminal the country elevators could be the more easily brought to time. Coming at the time that it did (1906) it was a powerful stimulant to the demand for reform that was just beginning to make itself felt in North Dakota. Other investigations and hearings held during this period only emphasized the more the necessity of controlling more effectively the grain business at terminal points.

Thus it appears that the Federal investigations of the grain trade, coming at a time when public interest was focused

¹⁷ Ibid.

¹⁸ 64th Cong., 1st sess., Stat. L., 1915-1917, chap. 313, part B.

¹⁹ Hon. G. N. Haugen, Address in the House of Representatives, March 9, 1914. Reported also in the *Cooperators' Herald*, April 17 and 24 and May 1 and 8, 1914. Mr. Haugen made the point that Congress had been appropriating large sums of money every year since 1907 for the purpose of investigating the grain trade. Up to 1914, \$389,880.00 had been expended for this purpose and it was proposed to appropriate \$76,320.00 more for the following year. Mr. Haugen made the point that what the farmer wanted was more results and less investigation. "The grain trade," he said, "has been thoroughly investigated."

²⁰ 59th Cong., 2d sess., S. Doc. No. 278.

upon the national Government and its struggles with the trusts, made it natural for the farmer, who was beginning to conceive of all corporations as his most bitter enemies, to look to this new champion for relief. Whether or not relief was obtained through the activities of the Federal Government is another matter. It is, however, certain that the investigations served one purpose and served it admirably, that is, they focused the farmer's attention upon the abuses of the trade and caused him to overlook almost completely the services the grain dealers were performing for them. Thus, as in the days of the Granger Movement, the producers began to believe that it was possible for them to perform for themselves the functions of the middleman, but with this difference, that they did not now desire to stop with local elevators but would embrace in their undertaking the management of the terminals as well.

Pausing, for the time being, in our consideration of the first political factor in the movement for cooperative marketing, we will turn now to the consideration of the second, the Duluth-Superior controversy. We have mentioned above that the grain dealers of West Superior had long looked with envy upon that grain business of Duluth that was transacted in grain stored in West Superior terminals and graded by Minnesota officials on Wisconsin soil. Probably if the commission men had never been able to make ends meet or if Minnesota had graded this grain free of charge there never would have been an agitation for better methods in terminal marketing. However, this was not the case, the commission men made money and Minnesota exacted a charge, although this charge did not exceed the cost of the service; yet the profits of the business meant larger resources and the inspection service brought with it not only positions which could be used to advantage not only in gaining political influence but also for the advertisement of West Superior or Wisconsin instead of Minnesota grain grades, and above and beyond all this the substitution of West Superior and the Superior Board of Trade for Duluth as a power in the grain trade. West Superior had been chafing at her situation since the defeat of

1896, nor did she overlook any opportunity to bring home to the producer any irregularities that might come to her notice.

It was not, however, until 1903 that any serious attempt was made to capture the grain trade. Led by the Honorable George B. Hudnall the Superior Board of Trade endeavored to secure the passage of a bill creating a grain and warehouse commission composed of three members, one from Wisconsin, where the grain was to be graded, one from New York, to whose ports the grain was shipped, and one from North Dakota, where the grain was grown. The bill met with determined opposition at that time, but was passed almost unanimously in 1905, only to be attacked at once in the courts.²¹

Court actions are usually long and expensive. Should the case be too long drawn out it was feared the grain dealers of West Superior would lose interest. It was therefore determined in 1906 to endeavor to enlist outside support. Acting along these lines and spurred on by the ruling of the Duluth Board of Trade to expel any member holding a membership in any grain exchange within one hundred miles of Duluth, Mr. Hudnall secured the privilege of addressing the North Dakota bankers at their convention at Fargo. Too great importance cannot be attached to this event, both in respect to the immediate and ultimate results. If any one man can be pointed to as the originator of the Agrarian Movement in North Dakota, it is to the West Superior Senator that we must turn our attention. It is true the time was ripe for agitation. For four years the North Dakota farmer had seen his efforts rewarded most sparingly in spite of all his endeav-

²¹ In 1903 the Legislature of North Dakota enacted a law permitting the Governor to suggest the names of one or more persons as suitable to him to fill a position on the grain and warehouse commission of the City of West Superior (North Dakota Session Laws, 1903, Chap. 191, p. 264). In 1905, immediately on the approval of the Hudnall Grain and Warehouse Commission Bill by the Wisconsin Legislature, the North Dakota Legislature enacted a law permitting the Governor to suggest certain candidates for nomination on this Board. There is very little room for doubt that the West Superior propaganda had not been entirely successful (*ibid.*, 1905, Chap. 115, p. 223).

ors to the contrary, and although his own circumstances had been going from bad to worse he had not noticed any change in the conditions of those who handled his products.

Having then this feeling of discontent to work upon and knowing that a large number of the bankers not only were well versed in agricultural conditions but being also farmers had felt the pinch of smaller returns, Mr. Hudnall set about his task.²² Using the timeworn theme that the prosperity of the farmer meant not only the prosperity of the nation as a whole but of the bankers in particular and pointing to the mixing, unfair grading and alleged short weighing of grain at the terminals, together with the use of cupola scales and suction-draft dust removers, as a means of stealing the profits of the farm from their rightful owners and thus depriving the banks of a large share of their deposits, he seems to have been able to have absolutely convinced not only the officers of the North Dakota Bankers' Association but also the great majority of its members as well that the terminal elevators and mixing houses of Duluth were the homes of some of the most iniquitous robber barons that had ever appeared on the face of the earth.²³

To the bankers there seemed an imperative need for action. A committee to investigate the grain trade was considered, and at the suggestion of the President the following resolutions were drawn and subsequently adopted:

Whereas: the status of the Superior grain grading and inspection law is now in the courts and inoperative, and whereas: the law has been bitterly opposed by the railroads,²⁴ elevators and boards of trade operating under the Minnesota inspection laws thereby destroying competition, to the injury of the farmers of this state.

And whereas: the Minnesota law has been unsatisfactory in its grades and dockage and from the fact that terminal elevators are allowed to doctor wheat by securing and mixing inferior grades thus

²² Address of the President, Convention Notes, North Dakota Bankers' Association, 1907, p. 21.

²³ Speech of the Hon. George B. Hudnall, on Grain Grading and Inspection, p. 36, *ibid.*, 1906, p. 36.

²⁴ The Great Northern Railroad had leased its terminals at West Superior soon after the passage of the law of 1905, which was done, according to Mr. Hill, because of the special binning features of the law (Report of the Grain Commissioners, North Dakota Public Documents, 1907-1908, Doc. No. 4).

shipping out a larger amount of higher grade grain than was taken in.

Therefore be it resolved: that the Bankers' Association of this state, the financial guardian of the farmers and business interests, believing that there should be a free, open and competitive market for our products and that we should receive just value, therefore, do respectfully urge and request,

First, that all opposition be withdrawn from the establishment of an equitable grain grading law at Superior, Wisconsin,

Second, that the present Wisconsin law be amended establishing grain hospitals for customers only and that terminal elevators be forbidden to ship out more grain of a given grade than was taken in,

Third, that the state of Minnesota be respectfully requested to amend her grain grading laws to harmonize with the conditions recited in the second article of this resolution and make the system more specific both as to grades and dockage.

And be it further resolved that the members of this association contribute \$2.50 to \$5.00, according to capital, towards a fund to be expended for the legitimate expenses of a committee hereafter created in endeavoring to secure legislation in establishing a competitive market for grain growers in this state,

And be it further resolved that should we fail to secure a redress for our grievances through the channels enumerated in this resolution, that we do appeal to Congress for a national inspection law.²⁵

The resulting investigation was most important in the history of the State, not so much for what was brought to light but for the remedies that were suggested. After being ridiculed by the Duluth papers, rebuked by the Duluth Board of Trade and permitted to examine the operations of but one small wheat hospital, the committee, after interviewing Mr. Lewis W. Hill, returned to North Dakota and among other things made the following suggestion:

The proposition was also made by the railway company (The Great Northern Railroad) to lease any or all of their elevators at Superior to an organization of independent shippers to be formed in North Dakota or to include shippers of North Dakota, Minnesota and South Dakota on a basis of 4% interest on the investment in the elevator. The lease to be made for one year or longer with the privilege of being cancelled by the lessee at any time by giving thirty days notice to the lessor railway company.

²⁵ Convention Notes, 1906, The North Dakota Bankers' Association. This resolution seems to have been drawn previous to the speech of Mr. Hudnall and presented immediately thereafter by Mr. Cathro, a member of the Association, who later became the first manager of the Bank of North Dakota (see Minutes of this meeting). The whole affair seems to have been well planned and the endorsement of the convention only a rubber stamp. The officers of the Association appeared to be very enthusiastic.

This proposition to your committee seems to be a solution of many of the problems of correcting the evils and injustices now in existence in the handling of grain at the head of the lakes, and your committee will now take up the matter of perfecting an organization to lease one or more of the Great Northern elevators with the independent shippers of the state. By an organization of this kind the shipper can retain complete control of his grain. He can obtain the value of all the screenings taken from his grain. The eastern miller can obtain his grain in just the manner he wants it²⁶ and a competitive market at the head of the lakes can be reestablished. Your committee is of the opinion that the reforms outlined will be of material benefit to the grain growers of the State and will be a stepping stone to a better system of inspection, viz:—Federal inspection which would do away entirely with the many conflicting inspections established in various states.²⁷

²⁶ The committee mentioned in an earlier part of the report that they had entered into communication with a large number of eastern millers who replied that they had always wanted pure North Dakota wheat, but that which was offered them was invariably mixed with poorer grades by the terminals. G. B. Hudnall in his address before the North Dakota Bankers' Association also mentioned that the eastern millers had written the Superior Board of Trade for pure North Dakota hard wheat.

²⁷ Aside from the paragraphs quoted, the report is interesting because of the new note it emphasizes in the criticisms of the grain trade. Grain mixing and doctoring now come in for their full share of the blame for low prices and small profits. This committee and all the state committees which followed it criticized the processing of wheat. However, they overlooked the fact that all wheat bought as "no-grade" or "rejected" (that is, out of condition) was bought over the sample table and presumably was bought for all it was worth, unless there was collusion between the buyer and the commission merchant, and from all appearances this seems to have been out of the question. It is true that grain sold over the sample table for what it would bring generated the greatest amount of ill feeling, since every farmer thinks he raises the best grade of wheat. The committee made the following report on the terminal elevator visited:

Grade	Receipts bushels	Shipments bushels	
No. 1 nor.	99,711.40	196,288.30	
2 nor.	141,455.10	467,764.00	
3	272,047.20	213,459.00	On hand
4	201,267.20	None	12,733.10 (Estimated)
No grade	116,021.10	None	
Rejected	59,742.30	None	
Total	890,245.10	877,512.00	

This business was done during three months. On this amount of conditioning and mixing the committee estimated that the elevator earned \$83,206.89. The fact that most of the grain received was low grade while no low grade was shipped out was the point emphasized. The report of the weigh-master at Duluth gives accurate

Reporting as the committee did, in the latter part of November after most of the wheat had been sold at a relatively low price, the report naturally caused a great deal of comment not altogether favorable to the grain dealers.²⁸ Making use of the discontent generated by their report, the legislative committee of the Bankers' Association secured the enactment of a measure empowering the Governor to appoint a board of grain commissioners who should not only thoroughly investigate the grain trade but should also report on the feasibility and cost of building, buying or leasing terminal elevators at the head of the lakes.²⁹

While the bankers' legislative committee was preparing the way for a state investigation of the Duluth grain business, we find their grain committee following out their own suggestions and early in the spring of 1907 organizing a joint committee of fifteen members, five from the Bankers' Association, five from the Independent Shippers' Association and five from the Society of Equity, for the purpose of taking

figures over a series of nine years (1897-1905). These figures give the same results and it seems do not indict the grain trade. After 1905, because of the criticism the weigh-master's statistics caused, they were not contained in the report of the Railroad and Warehouse Commission or the chief inspector's report (see Appendix VIII for tables of receipts and shipments).

²⁸ The Department of Agriculture quotes the farm price of wheat December 1 as 63 cents. However, most of the North Dakota wheat usually goes to market within thirty days of the time it is threshed because it usually is the custom of the elevators in the state to give thirty days free storage. Since that is the case the September price would be a better index. At this time number one northern was selling on the Minneapolis Exchange at from 69 5/8 to 78 3/8. Deducting freight and handling charges of 12 cents would bring the farm price to 57 5/8—66 3/8 cents per bushel. Since the price of wheat was declining, those who held and paid storage, and these were the richer and consequently more influential, lost money. A report like that of the North Dakota Bankers' Association coming at such a time would, therefore, make a large number of converts to the West Superior cause.

²⁹ North Dakota Session Laws, Chap. 129, p. 183. The bill was introduced by Senator L. B. Hanna, a member of the North Dakota Bankers' Association. The influence of the Bankers' Association can be appreciated when it is known that its membership at this time consisted of one hundred national and 248 state banks out of the 515 banks in the state. This membership included all the important banks of the State.

up the matter of the organization of a corporation under North Dakota laws to build and operate an independent terminal elevator at West Superior to handle shipments of North Dakota grain. It is the organization of this corporation and the furthering of cooperative marketing that we have reference to when we say that the activities of the Superior Board of Trade had an important bearing on the course of public opinion in North Dakota and subsequently on the whole Northwest.³⁰ We will treat more of this organization below; it is, however, sufficient for the present to point to the nature of its beginning and the forces bringing it into existence.

Interest did not lag in the State. The Governor's grain commission had set about its work during the summer of 1907, and in its report to the Legislature of 1909, aside from a thorough criticism of the grain trade, had the following to say concerning state owned terminal elevators:

We have given the matter a great deal of thought and have decided to recommend the leasing of one terminal elevator at Minneapolis and one at the head of the lake. . . . If the state cannot go into the terminal elevator business (because of constitutional limitations) then our board would recommend several points on the border which could be termed terminal markets. . . . The board does not recommend buying or building at once but to make the experiment with a leased elevator and if that proves satisfactory it would be easy to build. The expense of leasing would be only about 4% of the cost of building. . . . The board also recommends the acquirement or operation of one mixing house at both Duluth and Minneapolis to be run for the benefit of the farmers who shall obtain all the benefits of such operations.³¹

³⁰ Convention Notes, North Dakota Bankers' Association, 1907, Supplementary Report of the Grain Investigating Committee, p. 21. Although it is said that this corporation failed of formation, it is certain that the attempt in 1907 had great weight in the consideration of a similar project in 1908 when the Equity Cooperative Exchange was organized. If this first organization was not the same as the Equity Cooperative Exchange, and no convincing evidence has been found to the contrary, the influence of the Bankers was most direct in the formation of the Exchange.

³¹ Report of the Grain Commissioners, 1907-1908, Public Doc. No. 37, p. 27 ff. The findings of the Board did not change public opinion regarding mixing houses since they did not attempt to clear them of suspicion, but, on the contrary, hinted at the supposed abnormal profits. It is interesting to note in this connection that the Canadian Government in 1916 forbade the grain hospitals to mix grain. Since this was their principal remunerative occupation they were forced to shut down. Then it was shown the Canadian Coun-

Thus we see that the Board brought forward two suggestions for the bettering of the condition of the grain grower in the State of North Dakota. The first, that of controlling terminals outside the State for the use of the citizens of the State, the second, the creation of terminals within the State by legislative action, provided the constitution would not permit the State to own and operate elevators beyond its boundaries. These suggestions were not new. The latter had not only been suggested, but attempted with unfavorable results in the early history of the State.

As far as the purpose of the suggestions is concerned the present and the earlier proposal are identical in that they desired to restore competition. There is, however, this difference at this time. While in 1893 these ideas were supported by the Alliance-Populist group (considered a radical party) they were now supported by the bankers of the State, a class, considered by all to be the most conservative, and it is due to the support of this class that these ideas were enacted into law by the Legislature. Thus we find the 1909 Legislature adopting a concurrent resolution for an amendment to the constitution which would permit the State to engage in the terminal elevator business outside the State, and also enacting laws empowering the railroad commissioners to designate certain junctions as grain terminals within the State where all North Dakota grain must be inspected.³²

cil of Agriculture that the hospitals used only low grade grains, and since the demand thus created brought about the paying of a premium of from one-half to one and one-half cents per bushel on low grade grains, the farmers were losing that premium. Therefore the Canadian Council of Agriculture, which has as members representatives of all the Canadian Agrarian organizations, recommended to the Canadian Board of Grain Commissioners that the hospitals be reopened until the legislature should act on the subject (*The Co-operators' Herald*, March 16, 1917, p. 11).

³² North Dakota Sess. Laws, 1909, Concurrent Resolution, Terminal Elevator Amendment to the Constitution. This was the first step in the amendment process. According to the Constitution, the proposed amendment must be ratified by two successive Legislatures and then secure a majority of the votes cast at the next succeeding general election. This ordinarily took almost four years. For legal terminal laws see, North Dakota Sess. Laws, 1909, Chap. 135, p. 160; Chap. 230, p. 333.

We also find, due to the same influences, the legislature enacting a cooperative corporation law which permitted the distribution of profits according to patronage. In addition this law sanctioned the one man one vote idea so necessary to the correct functioning of cooperative associations.³³ It thus seems that so far as the legislature had it in its power it so revised the statutes of the State that the producer was given every remedy necessary, not only to cope with the existing abuses of the trade but to take over the entire marketing of his crop.

So far as actual results are concerned in the furthering of the cooperative elevator movement this seems to be the extent to which the Duluth-Superior controversy directly affected it. The agitation, however, resulted in a second movement that was due directly to the increased interest of the bankers of the State and the business men of Minneapolis in the condition of the farms and discontent of the farmers. This second movement was the so-called better farming movement led by the Better Farming Association, which later became affiliated with the Farm Bureau Movement, so well described by O. M. Kile in his book, "The Farm Bureau Movement," and seems to have been the first extensive attempt to apply the county agent system in the United States.

The Better Farming Association, ably led by Mr. Thomas

³³ Ibid., Chap. 62, p. 54, The incorporating of cooperative associations. This law, it seems, conflicted with section 135 of the state constitution, and although the law seems to have never been tested in the courts the constitution was amended in 1918 so as to permit the one man one vote organization (art. xviii, Amendments to the Constitution). Previous to the adoption of this amendment the constitution provided that voting in corporations should be only upon the share, vote principle. In addition to the above mentioned changes the legislature so amended section 115 of the political code as to permit the investment of school funds in first farm mortgages up to one-third of the appraised value of the land, these mortgages to run for a period of twelve years with privilege of paying off ten per cent of the principal at any interest date. The rate of interest was not to exceed five per cent. Previous to this time it had been the custom to draw farm mortgages for only five years. This law then was another point evidencing the trend towards smaller profits in wheat farming, in this case due to the capitalization of the land. For this law see, North Dakota Sess. Laws, 1909, Chap. 106, p. 113.

Cooper, set out to teach the individual farmer better methods both in the matter of crop rotation and soil conservation. The system employed led to the early organization of a central office, commonly called the farm bureau, by means of which the farmers were led first by clearing house methods, then by direct action to cooperate in the purchase of their necessities and later in the sale of their products. Thus the county agent and the county agent's office, the so-called Farm Bureau, became the nucleus of a system of cooperating associations.³⁴

³⁴ Too much credit cannot be given Mr. Cooper for his efforts in putting this work upon a sound foundation in the State. He understood the needs of the State, and adopting methods similar to those used in the boll-weevil campaigns in the South, applied them extensively and with the greatest success. Mr. Cooper employed his first worker, who was to do organization work until the field work began, January 1, 1911. The active field work did not begin until November 15 of the same year. In 1912 he had eighteen workers in the field. The number increased as follows for the next succeeding years:

1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921
1	18	26	17	15	15	17	38	32	28	36

In 1913 the first field woman was employed to advise the farmers' wives in house planning and other educational work (M. M. Vietch, "The Visiting Teacher in the Farm Home," in *Journal of Home Economics*, June 1915, vol. vii, pp. 279-283). O. M. Kile, in his treatment of the rise of the Farm Bureau Movement, fails to mention in any way the development in North Dakota, which, because of the centralized and efficient manner of organization seems to exceed in importance the movement in New York. The Better Farming Association, directed by Mr. Cooper, hired the first county agent and organized the first state association for individual educational work among farmers, and he should be given all the credit due him for this most successful enterprise. Mr. Cooper later, after the passage of the county agent law by the legislature in 1913, was employed by the North Dakota Agricultural College at Fargo to direct the county agent work. From that time on the Better Farming Association was affiliated with the Agricultural College. The inception of the Better Farming Movement was due to the desire on the part of some Minneapolis business men, and Mr. A. R. Rogers and Mr. P. L. Howe in particular, to bring about better farming methods. The first three years the organization was in existence it was financed one-half by Minneapolis business men and one-half by the localities desiring to affiliate with it. The organization spent \$43,110.70 for the fiscal year 1911-1912 and \$62,529.94 for the fiscal year 1912-1913. It is probably needless to point out that those financing the Better Farming Association did not expect it to develop as an aid to cooperation. The cooperative features of the

In summing up the influence of the second factor on the cooperative elevator movement we can say that it was instrumental in arousing to action on behalf of the farmers the guiding force in state politics. That this force, the North Dakota Bankers' Association, determined the line of action and that line of action took two courses, one economic and the other legislative. The first resulted in the forming of a terminal marketing agency composed of farmers. The second gave to the state the idea of state-owned marketing facilities supported by local farmers' cooperative associations. A third result not contemplated at the time the West Superior cause as championed by the Bankers' Association was the better farming movement whose immediate results may be found in the change in the manner of farming from the cropping system to that of the rotation of crops and the introduction of alfalfa and other legumes together with the subsequent furthering of cooperative associations by the county agents through the farm bureaus. Thus we can say that the second factor in the cooperative movement, making use of the feeling of discontent among the farmers and the suspicion generated by the Federal investigations of the grain trade, was able to prepare the way for future cooperative marketing, first, by emphasizing the relation of the terminal to the value of the farmers' crop, second, by securing favorable laws to control their own marketing agencies.³⁵

We will turn now to the consideration of the third and last factor in the state cooperative movement, the American Society of Equity and the Equity Cooperative Exchange. Concerning the origin of the American Society of Equity

movement developed later. The evolution of the cooperative movement out of the county agent system is best described by O. M. Kile, *The Farm Bureau Movement*, p. 104 ff. See also, *Annual Reports of the Better Farming Association of North Dakota*, 1912, 191. F. P. Stockbridge, "The North Dakota Man Crop," in *The World's Work*, vol. xxv, 1912-1913, pp. 84-93.

³⁵ H. E. Gaston, *The Non-Partisan League; The influence of the North Dakota Bankers' Association on the demand for a terminal elevator*, Chap. v, p. 36-38; A. A. Bruce, *The Non-Partisan League*, p. 39, n. 1; C. E. Russell, *The Story of the Non-Partisan League*, Chap. iv, p. 72; Chap. viii, p. 147.

little is known. The ideas serving as the fundamental principles of the Society seem to have had their inception in southern Illinois either in the last years of the nineteenth or the first and second years of the present century. It will, however, suffice to say that on December 24, 1902, the American Society of Equity was formally launched at Indianapolis.³⁶ Organizers, teaching that the farmer should have a fair return on what he now produced and that to secure this return farm products should be fed the market in an orderly manner, soon secured a large membership. The plan of procedure was to guide the farmers in their efforts to withhold produce from the markets until such a time as it would bring the price agreed upon by themselves as an equitable one.

The first conspicuous effort of the society came in the autumn months of 1903 in a campaign for "dollar wheat." Farmers were strongly advised to withhold their wheat from the market until the amount which was sold would bring the desired price. Therefore they were advised, where feasible, to build granaries on the farm or cooperative elevators and warehouses at railway stations for the purpose of storing grain until they would receive the price desired. It was an opportune time to give such advice. The term "dollar wheat" sounded good to the wheat farmers of Minnesota, North and South Dakota. They joined the society in great numbers and seemed to have more or less followed its advice. At any rate the price of wheat, due to a short world crop, advanced almost to the figure set by the Equity. This induced them to try for still higher prices the following year and they were again partially successful.³⁷

In 1907 the first district of the American Society of Equity, comprising the Dakotas and Minnesota, organized for grain marketing by forming a wheat pool. It is said that approximately thirty million bushels of wheat were signed up in this

³⁶ The Cooperative Manager and Farmer, Aug. 1913, p. 28.

³⁷ See B. H. Hibbard, Marketing Agricultural Products, pp. 230-233; Chelsa C. Sherlock, The Modern Cooperative Elevator Movement, Chap. xiii.

"dollar wheat" campaign, but lack of money and lack of experience in the handling of such an undertaking caused complete failure.

The next year (1908) a conference of Equity leaders from the same district was held at Minneapolis where it was decided to establish an Equity Cooperative Exchange and raise funds for a terminal elevator. Surveying the causes of failure the previous year this committee decided that the real problem was not only one of raising enough money with which to handle grain and operate a terminal elevator but conditions had to be produced which would make it possible for farmers to patronize the institution when once it was organized. They recognized the fact that it was not only a matter of making it possible; there had to be an awakening in the rank and file of the farmers to the fact that the mere condemning of existing conditions would not alter those conditions. The farmers themselves must be in earnest about shipping their grain to their own agencies and must proceed to get matters in their own companies so arranged that these could be depended upon as sources of supply, otherwise there could be no lasting change. Instead of incorporating and proceeding to sell shares they decided to wait for incorporation until they were pledged \$50,000.00. However, after three years of soliciting they were able to raise but one-fifth of that amount. Therefore, determining to begin business with what capital they had, they incorporated February 17, 1911, with a capital of \$50,000.00, \$14,000.00 of which was paid in.

During the period 1908-1911 this incorporated Equity Cooperative Exchange had secured the services of one Pliny E. Cooper, a licensed commission merchant. Since Mr. Cooper was not a member of the Chamber of Commerce and since the Equity Cooperative Exchange, being organized on the patronage dividend plan, could not secure a membership, it was necessary to sell the consigned grain through a member of the chamber of commerce. Therefore, in order to make expenses, it was necessary to charge more than the regular commissions. This, Mr. Cooper did, reporting to the custo-

mer as the sales price the price paid him by the commission men, then deducting his commission of one cent a bushel. This practice resulted in the shipper paying a double commission, so that in 1912 when it was seen that the then incorporated Equity Exchange was laying plans to secure a larger share of the grain business by means of a campaign for better marketing, this fact was made public,³⁸ and brought about the immediate severance of connections with Mr. Cooper and the introduction of Mr. George S. Loftus as the sales-manager of the Exchange.³⁹

With the appearance of Mr. Loftus, September 1, 1912, as the directing genius of the Equity Cooperative Exchange, the policies and activities of the organization were changed appreciably. To begin with, Mr. Loftus, in addition to having had considerable experience as a commission merchant on the Minneapolis hay and feed market, was a popular politician

³⁸ During the whole period, 1908-1912, this exchange had only handled 805 cars of grain. Of this number 681 were sold through members of the chamber of commerce. The business was most insignificant. However, since the Equity Exchange made use of Wisconsin inspection in competition with Minnesota and also by a policy of agitation attempted to undermine the Chamber of Commerce, the Minneapolis grain dealers naturally began to fear that the Cooperative Exchange might become as strong as the Canadian Cooperatives. They therefore determined to use this means of exterminating it. For the early history of the Equity Cooperative Exchange see, "The Early Struggle of the Grain men," in *The National Non-Partisan Leader*, May 16, 1921; *The Cooperators' Guide*, Feb. 1911, p. 9; *The Cooperative Manager and Farmer*, June 1914, p. 30.

³⁹ The name Equity Cooperative Exchange does not imply that this organization sought to become an independent exchange, although that idea was allowed to gain credence and many shipments of grain were, no doubt, made to it because it was thought that they were competing with the Chamber of Commerce. It seems that the American Society of Equity was promoting the creation of farmers' exchanges where consumers and producers could meet and secure what they desired. A branch of the Society had set out, about the time the Equity Cooperative Exchange was organized, to organize such exchanges in the different commercial centres. It seems that the organizers of this concern then made use of the word "Exchange" in the hope that perhaps at some later date the Equity Cooperative Exchange would supplant the Chamber of Commerce. However, at the time of its incorporation it was nothing more than a licensed commission firm dealing in grain. Since it had no membership in the Chamber of Commerce, it was forced to seek an independent market or sell through a member of the Chamber.

who had fought uncompromisingly for the nomination of La Follette in the Republican Convention of 1912. He had been a successful agitator for reform along many lines, and had been instrumental in securing the conviction of the railroads for illegal rebating; he had fathered and secured the passage of the reciprocal demurrage law; secured an official investigation of Minnesota freight rates and was instrumental in securing substantial reductions; started the agitation against the Pullman Company and had secured a reduction of twenty per cent. for upper berths. With these accomplishments to his credit and being a member of the Loftus-Hubbard Company, a grain commission firm with which James Manahan, another popular agitator, was associated, he came to the Equity Cooperative Exchange for the purpose of awakening the farmers to existing conditions in the grain trade and thus fulfil one of the primary purposes of the organization.

Mr. Loftus was employed to increase the business of the exchange, and this he set out to do in the same manner that the Chicago firms did in the early years of the century. Conditions, however, had changed. The farmers' elevators were now eagerly solicited for their business by all the commission merchants at the terminals. For this reason Loftus must resort either to the direct solicitation of the managers, and in case this failed, appeal directly to the stockholders to either influence their manager to ship grain to him or to get one they could so influence.

This was a direct violation of the fundamental principles of cooperation. For if the members of the company themselves were not only to determine the business policy of the elevator but also to influence the methods of carrying out this policy, the aims of the association would soon be the subject of a dissension which would finally result in the failure of the enterprise.

In addition to this flagrant violation of cooperative principles, Mr. Loftus' manner of persuading farmers' elevator managers was very objectionable. Because of his habit of openly attacking them in their own localities he soon brought

down upon himself the hostility of the Farmers' Grain Dealers Association, an association of farmers' elevator managers, and the Cooperative Manager and Farmer, a cooperative elevator organ with powerful influence among the grain dealers at the terminals. However, Mr. Loftus seeking, as was his custom, to profit by means of the opposition he created, pointed to this hostility as instigated by the grain trust composed of the grain dealers of the Minneapolis Chamber of Commerce.⁴⁰

Following out this course and concentrating his efforts upon the State of North Dakota, he obtained for the Equity Cooperative Exchange a substantial increase in business and for the farmers the added conviction that they had heard, from the mouth of one who knew, a confirmation of their darkest suspicions.⁴¹ Loftus was an agitator of no common mold. His harangues to the farmers not only brought into line the recalcitrant manager but at times produced the overthrow of opposing boards of directors.⁴²

Seeking still more to stigmatize the Minneapolis chamber of commerce, which had persistently refused him or the Loftus-Hubbard Company permission to obtain an active membership, he persuaded the leaders in the House of the 1913 Minnesota Legislature to bring about an investigation of the grain trade which concerned itself almost entirely with the activities of the chamber of commerce. In self-defence the grain dealers, who controlled the senate, were able to bring about a second investigation by a committee, the majority members of which, devoted their time to the exposing of the Equity Cooperative Exchange. Allegations and accusations flew thick and fast, in almost every case influencing the North Dakota farmers to favor the Equity.⁴³

⁴⁰ The Non-Partisan Leader, July 20, 1916, p. 7.

⁴¹ It is not known exactly what this increase was. It seems that during the first year of Mr. Loftus' campaign there was an actual increase in business of about 1000 cars. The actual receipts were 2130 cars from August 1, 1912 to April 1, 1914. Of these, 1334 cars were sold to members of the Chamber of Commerce (The Cooperative Manager and Farmer, Apr. 1914, p. 30).

⁴² A. A. Bruce, The Non-Partisan League, p. 62 ff.

⁴³ The Cooperative Manager and Farmer, Apr. 1914, p. 30.

With these unpleasant episodes spurring them to action, the guiding forces of the chamber of commerce determined to put an end to such an annoyance. The Minneapolis banks refused the Equity Cooperative Exchange credit. The elevators refused to store its grain, and at one time the railroads refused to let their cars go beyond their own tracks, thus cutting off any independent trade the small mills to the south and east might bring to the Equity. However, by herculean efforts Mr. Loftus managed to obtain sufficient credit, and through his friendship with Senator La Follette secured in a few days the revocation of the car transfer ruling through action by the Interstate Commerce Commission.

Under such conditions the Equity Cooperative Exchange, harassed by the grain dealers and enthusiastically supported by the North Dakota farmers, lived through another year until a change in the attitude on the part of the business men of St. Paul brought a change in fortune.

For years the city of St. Paul, the capital of the State of Minnesota had looked with envy upon the increasing fortunes of Minneapolis. For years also St. Paul had agitated for the improvement of the Mississippi whereby she, situated at the head of navigation, might profit as she did in the early days before the railroads. These facts in themselves did not bring her to support the Equity, but when in April 1914, Minneapolis, in spite of the competition of St. Paul, secured the location of the ninth district Federal Reserve Bank, the St. Paul commercial club not only immediately offered to finance the Equity Cooperative Exchange, should it remove to St. Paul, but in addition offered a \$30,000.00 cash subscription towards an Equity Cooperative Terminal Elevator and a free elevator site on the river front as well.⁴⁴

⁴⁴ The selection of Federal Reserve cities was made by the Reserve Bank Organization Committee, April 2, 1914 (Report of the Comptroller of Currency, 1914, vol. i, p. 134). On April 10, 1914, the St. Paul Daily News published an article under the following head, "St. Paul today, extends heartiest congratulations to Minneapolis," containing the following statements:

"We congratulate our sister city on two things,—first the loca-

During this period matters had not been at a standstill in North Dakota. The terminal elevator amendment to the constitution which had been proposed in 1909 had been ratified by an overwhelming majority in the general election of 1912.⁴⁵ The legislature, then, acting according to the wishes of the people as evidenced by the approval of the amendment, levied a tax to create a fund for an elevator and ordered the board of control to investigate both the cost and the feasibility of constructing it.⁴⁶

The farmers in the meantime were taking advantage of the cooperative elevator law approved in 1909 in order to form a large number of farmers' cooperative elevator associations. The continued formation of these associations was now due, in a great measure, to the activity of Mr. Loftus and, consequently, gave rise to a large amount of agitation. The fact that in almost every locality where such an association was formed the price of wheat advanced automatically was pointed to as evidence of unfair practices on the part of the large companies situated at the terminals. Thus the excitement attendant upon a change in the manner of marketing was capitalized by the Equity Cooperative Exchange.⁴⁷

In considering the history of this movement we must not

tion of the new Regional Reserve Bank in her midst,—second, the magnanimous surrender of the grain trade to St. Paul.

"Being perfectly frank we admit we should have liked to see the Regional Reserve Bank located in St. Paul, we believe it should have been located here. Our bankers and business men made a good fight for it in a honorable way, . . . and we find ample overflowing recompense for St. Paul in the removal here of the Equity Cooperative Exchange with its certainty of development in the predominating grain market of the Northwest. Through it, in establishing honest marketing of grain and fair trade reciprocation, St. Paul will gain a thousand times more than it could by the location here of a reserve bank. We cheerfully surrender to Minneapolis the financial book-keeping, and put out our hand for a hearty hand-shake with all the farmers of the Northwest" (Cooperative Manager and Farmer, Apr. 1916, p. 50; Cooperators' Herald, Apr. 10, 1914).

⁴⁵ Yes, 56,448,—No. 18,864 (Legislative Manual, 1913).

⁴⁶ See: Report of the State Board of Control on terminal elevators, North Dakota House Journal, 1915, Jan. 18, p. 165; North Dakota Sess. Laws, 1913, Chap. 275, p. 435.

⁴⁷ See Appendix VI.

overlook the fact that there was considerable opposition to state-owned terminal elevators. This came from two sources, one within the State, which may be divided into three classes and the other from without the State. The first class of opposition came from those who naturally opposed any extension of the government into business. This class was composed of the younger and more conservative element located in the eastern sections of the State who feared also that the extension of government activities would also increase the tax burden and thus increase the fixed charges on their land. In the second place there was that class who feared that the successful extension of the state government into the domain of government ownership would eventually lead to further extensions and either bring about the curtailment of their profits or the extinction of their business. In the third place there was an increasing number of rather influential individuals whom the mud slinging, demagogical tactics of Mr. Loftus had permanently alienated from any cause whatever that was in any way supported by the American Society of Equity or the Equity Cooperative Exchange.⁴⁸

The opposition from without the State came mainly from one source, that is, the grain dealers in the terminal markets. This would include both the commission men and the operators of private terminal elevators. The opposition of this class came from a natural fear that the movement which although it was planned to force more competition among them would eventually supplant them. This latter form of opposition had one advantage over the opposition within the State, it was thoroughly organized as a result of the Equity agitation and acted through the officers either of the Duluth Board of Trade, the Minneapolis Chamber of Commerce or the Duluth Grain Commission Merchant's Association.⁴⁹

With these points in mind we will now consider the last and most important episode in this period. It is, however, necessary to note that when the Equity Exchange moved its

⁴⁸ Cooperative Manager and Farmer, Apr. 1914, p. 26; Jan. 1915, p. 30.

⁴⁹ Ibid., Sept. 1913, p. 24.

headquarters from Minneapolis to St. Paul it moved from a city amply supplied with terminal elevator facilities and a large consuming market to a city whose consuming powers and terminal facilities were comparatively negligible. It was probably due to this fact that the Commercial Club of St. Paul was willing to provide aid not only to finance the buying of wheat but also in the building of the Equity Cooperative Terminal Elevator.⁵⁰

This was the situation in the summer of 1914 when the North Dakota Board of Control set out to secure data concerning terminal elevators for the North Dakota legislature. Prompted, seemingly, by the influence of the Equity in their State they first interviewed Mr. Loftus, who spoke very enthusiastically concerning such a project and promised not only to aid them in their efforts but also to draw up plans and recommendations for a terminal elevator. He then referred them to one, Mr. Samuel Greeley, who, he said, had had a great deal of experience in the terminal markets and whose advice on terminal questions could be implicitly relied upon. The committee next interviewing Mr. Greeley were surprised to find that he discouraged the entry of the State into the terminal elevator business on any grounds whatever. He emphasized the fact that it was not terminal elevators that the farmer needed but an honest exchange.⁵¹

Bearing in mind the advice of Mr. Greeley, the committee interviewed a large number of prominent grain men, investigated the Manitoba provincially-owned line of country elevators and the Dominion terminals at Fort William and Port Arthur. Then returning home they prepared a report unfavorable to the project.

In the meantime it appears that Mr. Loftus had neglected,

⁵⁰ In addition to this the St. Paul Board of Trade not only did not rule against cooperative associations holding active memberships but even permitted the producers themselves to sell their products on the exchange, hoping in this manner to attract independent grain shippers.

⁵¹ Report of the Board of Control, North Dakota House Journal, 1915, p. 165 ff.; Secondary Report of the Board of Control, Feb. 18, 1915; North Dakota House Journal, pp. 909-937.

even upon repeated requests from the board of control, to furnish any assistance or advice whatever. However in January, 1915, when the report of the board of control was transmitted to the legislature, he sent Mr. Greeley to Bismarck to lobby for the state-owned terminal elevator and to ask that that elevator be located at St. Paul.⁵² To impress the legislature the more Mr. Loftus succeeded in having a convention of the American Society of Equity called to meet at Bismarck at the time the terminal elevator bill was to be considered in the House. In addition he was able to secure for himself a hearing before a committee of the whole House in order that he, representing the Equity Cooperative Exchange and the City of St. Paul, might plead both for the terminal elevator and that it be located at the Minnesota capital.

During the evening previous to his appearance before the legislature Mr. Loftus engaged the delegates to the Equity Convention in one of his usual demagogical harangues at the close of which, the crowd being at fever heat, he set out to call the roll of the whole legislature, predicting in the most insulting manner the way each legislator would cast his vote. A large number of the legislators being present, these tactics served all the more to crystallize the opposition and also forced a large number of those who had previously been open to persuasion to oppose him.⁵³

The next day in the legislature, with the galleries packed with his delegates, Mr. Loftus faced the opposition in the House. He villified the speaker, Mr. Treadwell Twichell, and every member who dared oppose him,—this was the majority,—as tools and mouthpieces of the chamber of commerce. There probably has never occurred so heated a session of the House. To a man, the opposition had their characters maligned and their private activities bared. They were insulted beyond comparison, with the result that the state terminal elevator bill was defeated and the farmer delegates to the

⁵² The Cooperators' Herald, Jan. 1-Feb. 1, 1915.

⁵³ For an account of this episode see, The Bismarck Tribune, Feb. 3, 1915. The Tribune was an ardent advocate of cooperative marketing but took exception to these tactics of Loftus.

Equity Convention were told, it is said, to "go home and slop the hogs."

On reviewing the history of this event the conduct of Mr. Loftus seems, at first, to be inexplicable. Why, it might be asked, did he not show an interest in the investigation of the board of control? Why did he allow Mr. Greeley to discourage state-owned elevators when he might have been able from the first to secure a favorable report? The flimsy excuse that was afterwards put forward, that Mr. Loftus did not know what Mr. Greeley was saying, it seems, is untenable. If Mr. Loftus was so desirous of securing a state-owned terminal elevator for St. Paul which the Equity Cooperative Exchange could use, why did he crystallize sentiment against the project by calling the roll and assuring for himself in advance, an unfavorable vote? He certainly was enough of a student of human nature to know the effects of such a course. Again, why did he himself not go to Bismarck to lobby for the bill instead of sending Mr. Greeley who had at first committed himself against it?

These questions, it seems, can only be answered in one way and that is, Mr. Loftus did not want a state-owned terminal elevator anywhere. He was a member of the American Society of Equity which taught that cooperation, to be successful, must stay out of politics and that politicians cannot run any enterprise, to say nothing of a cooperative enterprise, successfully. Why, then, it might be asked, did he stump the State for something he did not want? If we study the activities of Mr. Loftus we see that at no time previous to the general election of 1914 did he or any of those papers favoring his cause support either the terminal elevator amendment or seek to pledge any candidate for the legislature to support a terminal elevator bill. However, when the elections were over and those interests opposing terminal elevators had concentrated upon opposition to this bill, he appeared, and goading the legislature to fight, posed, as was his custom, before the people of the State, as a martyr to their cause and the cause of better terminal facilities with this object in view, it seems, that when the farmers saw their legislators acting, as they

thought, at the command of the grain trust and the chamber of commerce they would determine that they would fight the grain interests in their own element by subscribing for stock in the Equity Cooperative Terminal Elevator, to which the business men of St. Paul had subscribed \$30,000.00 and for which an elevator site had been donated on the river front. We must agree that Mr. Loftus knew the farmer better than the farmer knew himself, and therefore, playing upon his fighting disposition, turned it to his own uses. It is needless to add that the stock subscription campaign was successful, and that from that time forward it was the North Dakota farmer who financed the Equity Cooperative Exchange.

In this brief summary of the history of this period we have noted separately the activities of the different forces acting within the State. We have seen that the great agitation which culminated in the defeat of the terminal elevator bill in the 1915 session of the North Dakota Legislature was founded upon two factors, first, what has been previously pointed out, the ignorance of the farmer concerning the function of the marketing machinery which had grown up with the increased specialization in the production of farm products, and his resulting distrust of those functionaries; second, the ambition of certain cities to succeed to the control of the grain trade.

The latter, then, playing upon the former, which had been multiplied many times both by the action of the law of diminishing returns to wheat farming and the capitalization of the land, due both to its increasing scarcity and the demand for larger farms, had led first to the successful application of the cooperative idea to local country marketing and then to the demand for state-owned terminal elevators, and when this did not materialize, to the financing, and later the construction, of a true cooperative terminal elevator at St. Paul.

These were the net results of the period. Mountains of rancour and ill-feeling had been raised and as yet only a small and extremely delicate cooperative terminal organization had appeared. However, in sowing the wind to secure subscriptions for his terminal elevator Mr. Loftus had left it to North

Dakota to reap the whirlwind of a far more dangerous movement than even the boards of trade and the grain trade in general had ever conceived the Equity Cooperative Exchange to have been. We refer to the Non-Partisan League and its brood of state-owned and politician-controlled marketing agencies.

We cannot close, however, without pointing to the fact that from the early days of the grain trade until the close of this period this periodic agitation had changed the farmers' methods of marketing grain from one of individual and blind barter at local country points to association marketing on the terminal through commission men, the beginning of association marketing on the terminal by salaried officials of an association of farmers called the Equity Cooperative Exchange. We can agree with the Cooperative Farmer and Manager when it said:

The old saying that there is good in everything is proving true in this case. The evolution which has taken place within the last few years in the marketing of grain, the transition from the old methods of handling it by the line-house companies to the plan of marketing it direct by farmer grain dealers themselves through their own local companies has caused a demand for knowledge on the part of the farmer grain dealers. Formerly it did not make much difference what they were told, thought or believed because they did not come into contact with active business in the marketing of their grain. Now, however, it is different. They have taken, in a large measure, active interest in the marketing of their grain and necessarily demand full knowledge.⁵⁴

This interest in the marketing of their products was a direct result of the period of agitation which had changed North Dakota from a State having practically no cooperative elevators to one containing the largest number of such elevators of any State in the country.⁵⁵

⁵⁴ The Cooperative Manager and Farmer, Sept. 1914, p. 33.

⁵⁵ Appendix VI.

CHAPTER IV

THE NON-PARTISAN LEAGUE

By far the most spectacular, and to the chronicler of current history the most important, event in the checkered history of the commonwealth of North Dakota has been the sudden rise of the Non-Partisan League. Its almost unheralded appearance, its definite program and its positive assertion of the value of its remedies caused no little confusion among those forces against which it was directed and on the other hand no little rejoicing on the part of the producer. To the farmer the remedies the League proposed were infallible. In them he seemed to have discovered the elixir for agrarian discontent, and not being able to enjoy his discovery alone he must, like the Republicans of France, proclaim his formula to all similarly afflicted producers.

This formula, which the farmers of North Dakota accepted with such enthusiasm, was not new. Neither were the means by which the formula was to be applied in any way novel. The formula was the doctrine of state ownership, and the means by which its proponents hoped to be given the power to apply it was the control of the balance of power in the dominant political party.

Loftus, to whom all credit is due for the preparing of the State for this next step of the agrarian classes, as we have noted, had opposed the movement for state ownership of terminal elevators. But he had hoped that from the destruction of that movement might be born a greater and more speedy movement towards the consolidation of the local cooperative associations into a genuine farmers' marketing agency which would make use of the Equity Cooperative Exchange. In this hope he was to be disappointed, even though he had used the agitation in 1915 to sell sufficient stock for a small terminal in St. Paul. Other men more crafty, though possibly not as far-sighted as he, took advantage of the agitation he

had begun and adopting his tactics, and appropriating his grievances, went out to lead the farmers in an organized crusade against special privilege as embodied not only in the chamber of commerce but in all those industries popularly known as trusts and termed "Big Biz" by the leaders of this movement.

Mr. Loftus, in his campaigns both for business and a terminal elevator, had often spoken of a non-partisan political party which ought to be formed by the farmers for the purpose of enabling them to hold the balance of power not only in the legislature but in the electorate as well. For three years, however, this idea seems to have been put forward only as a threat, and as such was probably used during the Equity convention at Bismarck in February 1915. However, the activities of Loftus and his farmer delegates were being closely watched by a few of those unfortunates, who because of their failure to convince, were now merely lookers-on at the activities of the legislature in which they had at one time hoped to participate.

Among this class was one A. C. Townley, a plunger in flax and a bankrupt farmer, who had for some time made his living by soliciting membership fees for the Socialist party. Townley, who became the leader of this movement, at heart was a salesman. He grasped at once the connection between Socialism and this plan of the state ownership of terminal elevator facilities. He was naturally aware of the fact that for some years past there had been constant agitation to induce the State to enter other fields of private business such as rural credit and hail insurance. Combining at once his ability as a salesman and his knowledge of the trend of opinion among the farmers he was able to persuade a large part of the Socialist organization in the State to aid him in the realization of his plans. He did this by advancing a program that would at once satisfy them in their demands for a state monopoly of the dominant industries and also appeal to the farmers to get even with that band of para-

sites, as they termed them, who had long prospered at their expense.¹

The program as conceived by Townley and which in substance remained the program of the movement to the end, may be divided into two parts. The first was the demand for the creation of a state bank and insurance association and also a state monopoly of the conditioning and manufacturing industries through which the farmers' products passed on their way to the consumer. This included state owned terminal elevators, flour mills, packing plants and cold storage warehouses, state hail insurance and rural credits operated at cost. The second division included those ameliorative measures which would give immediate relief to the farmer in the matter of taxes, and aid him to secure fair treatment in the marketing of his crops until the state industries would be able to control the marketing agencies. These measures included state inspection of grain and scales, the compelling of elevators to pay for valuable dockage, and the exemption of farm improvements from taxation so as to tax land held for speculative purposes at least as much if not more than farmed land.² The program thus offered to the farmer a definite list of those industries which he thought it imperative that the State should control, and it offered to the Socialists something tangible which could be used as an opening wedge for the foundation of state socialism in North Dakota.

Concerning the socialistic connections and tendencies of the movement we shall not concern ourselves. It will suffice

¹ Townley, at this time, displayed a genius not only for organization but also for financing. Borrowing money here, discounting notes there and realizing on post-dated checks in other places he scraped up enough money to furnish both himself and his organizers with Ford automobiles and sent them scurrying over the State. Before the opposition had time to find out what it was all about he had over 10,000 pledged and paid members. When the opposition did wake up to the gravity of the situation he had started a newspaper, the "Non-Partisan Leader," and otherwise had the situation well in hand. (C. E. Russell, *The Story of the Non-Partisan League*, pp. 197-202; H. E. Gaston, *The Non-Partisan League*, pp. 55-72).

² Report of the Industrial Commission, May 1, 1920, p. 6.

to say that the Non-Partisan League, which was the name applied to the organization which those farmers joined who endorsed the program mentioned above, was led and controlled by a large number of the Nation's most active and influential Socialists, who openly hailed the movement as the harbinger of the "New Day" and who therefore likewise bent their every effort to make it a success.³

There were several factors that tended to aid this venture and to ultimately give the League complete control of the State. Those elements have been mentioned which had prepared the way for the League. There were in addition two others which were of prime importance to its success and to which, in fact, the League owes its very existence. These were, first, the abnormally good crop of 1915 for which the farmer, because of the demand created by the World War, received at least a dollar a bushel.⁴ Second, the rusted and shriveled crop of 1916 which the Grain Bulletin was so unfortunate as to term "Feed D Wheat."⁵ The good crop and good prices of 1915 gave the farmer a considerable surplus with which to pay not only his membership fee, which it was absolutely necessary that he pay if the organizers were to continue to function, but also to contribute handsomely to the campaign fund for the 1916 election and in addition to purchase or establish county newspapers.⁶ The poor crop

³ The leaders of the League, and Townley in particular, called to their aid such persons as Walter Thomas Mills, Kate O'Hara, Charles Edward Russell, H. E. Gaston, Arthur Le Sueur, Signe Lund and many others. The Socialist Party had, since 1902, continually put a complete state ticket in the field and were gaining in numbers until 1918, when they joined forces with the Non-Partisan League (The Non-Partisan Leader, June 1, 1916, p. 4. For Socialist vote for Governor by years since 1902, see Appendix X.

⁴ The farmer received more money for this crop in proportion to power applied than he had for any crop since 1898. Likewise the crop of 1916 brought him less money than any crop since 1910. See Plate VI.

⁵ Frank R. Durant, Handling the Farmers' Grain, p. 30. The term "Feed D Wheat" was changed after a few publications, but the damage had already been done.

⁶ In addition to the membership fees collected by the League leaders during 1915, a million dollar campaign fund was raised so as to enable them, as they said, to fight "Big Biz" with its own

of 1916 and the unfortunate error of labelling it "Feed D Wheat" gave this now well established and thoroughly organized League the opportunity to accuse the grain dealers of buying this wheat for chicken feed and then grinding it into flour. The League at once claimed a high milling value for this grade of wheat and, pointing to the experiments of Professor E. F. Ladd, of the State Agricultural College, convinced the farmer that his shriveled and rusted grain was even better for milling purposes than the larger and more developed kernels.⁷

Circumstances then were most favorable. The League was born in a good crop year, and with its coffers well filled, nature and its opponents played right into its hands. The first six months of organizing had swelled its membership to 22,000, a number sufficient to control any election in the State.⁸ It might be asked, how did this League grow to such proportions in so short a time, especially in a State of such magnificent distances and so sparsely settled? The following quotation from the Nation seems to adequately answer the question:

This farmers' organization which appeared with such dramatic suddenness upon the western horizon in the years 1915-1917 was the product of the driving energy of a few individuals who applied to the political organization of farmers the methods of modern salesmanship. Even more than the evils which were capitalized and inveighed against (they were neither of recent origin nor as oppressive as they have since become), and more than the proposed remedies of state ownership and operation, which were hardly novel, the key to the sudden growth of the Non-Partisan League lay in the large scale application of book-agent or oil-stock selling technique, supported by a not less carefully worked out literature. The result was the unique spectacle in American national life of a political party financed from the bottom up by the rank and file, instead of from the top down.⁹

element. They thus made use of the fat year to tide them over the lean one. In other words, they were astute enough to make hay while the sun was shining.

⁷ E. F. Ladd, Chemical and Physical Constants for Wheat and Mill Products, in N. Dakota Agricul. Exp. Station Bull. No. 114, p. 114; C. E. Russell, The Story of the Non-Partisan League, Chap. v, p. 76.

⁸ Ibid., p. 203; H. E. Gaston, The Non-Partisan League, p. 64.

⁹ The Nation, Aug. 1, 1923, vol. cxvii, No. 3030.

Just as the Equity agitation in 1915 had served as the nucleus around which the League was built, so the poor crop of 1916 added emphasis to the demand that the State should not only enter the terminal elevator business but should also operate in connection with their elevator a system of flour mills which, by milling North Dakota wheat and selling it in the open market, would be able to determine the actual milling value of that wheat and thus materially influence the price.

The origin of the active demand for state-owned flour mills is due, in a great measure, to Professor Ladd, who as pure food commissioner for the State had, in his controversies with the manufacturing interests, which had been in the habit of dumping inferior products in the State, gained a great deal of popularity because of his success in the administration of the pure food law. Mr. Ladd, looking upon the question of flour mills from a purely technical point of view, considered that such a move would bring about a more thorough system of diversified farming by cheapening mill by-products and thus encouraging stock farming and dairies. He maintained—and that correctly—that in this manner the fertility of the soil, which had for so many years been taxed to its capacity by continued wheat cropping, would thus be conserved.

Professor Ladd's criticism of the cropping methods of farming was perfectly sound, but the manner in which his estimates of the value of this change were brought to the attention of the public led the farmer to believe that the grain dealers at the terminals and the millers in particular were the recipients of this entire sum in the form of profits.¹⁰

¹⁰ Mr. Ladd estimated that the gain to the State would be \$134,659,421.00 in gross income, provided all wheat grown in North Dakota was milled there and the farmers made use of all the by-products of a 100,000,000 bushel crop. The average crop is, however, around 60,000,000 bushels. Another calculation of Mr. Ladd's based upon the same bushelage stated that the mixing and conditioning of wheat produced for the mixers a clear profit of \$1,978,000.00. This also seems to be erroneous since the entire crop did not enter into the mixing operations. In addition the statement

This information then, added to the exaggerated ideas of the power of the grain exchanges and banking institutions spread by Mr. Loftus and played upon by the League, urged on the farmer, who was already in distress because of the very poor harvest of low grade wheat, to throw caution to the winds and embrace the entire state ownership program.

Riding, then, on the crest of this wave of popular discontent caused by natural and economic conditions beyond their power either to control or to correct speedily, the League in the rôle of champion of the oppressed, came into the control of all the executive offices and the lower house of the legislature.

The opposition, now thoroughly alarmed, consented to the passage of certain ameliorative laws, which included an act to facilitate the conversion of farmers' elevator associations organized as joint stock companies into cooperative associations which could pay patronage dividends, and whose shareholders should have limited voting powers,¹¹ an act to reduce taxation on farm machinery and improvements,¹² an act to force the railroads to play fair in the distribution of cars,¹³ and an act regulating the grading and weighing of grain.¹⁴

does not take into consideration the premium paid for high grade grain that was mixed with the low grade stuff. Even though his figures should be correct, the charge for mixing and conditioning a bushel of grain would not exceed two cents, which is a small charge when one considers the cost of such operations. These costs, according to the North Dakota Grain Commissioner's Report in 1909, were from one half to two cents per bushel. As has been noted above, the doctoring of wheat is a legitimate business with an extraordinary low profit (Report of the Industrial Commission, June 1, 1921, pp. 5, 17; The N. Dakota Agricul. Ex. Station Bull. No. 114; The Report of the Grain Commissioners, N. Dakota Pub. Doc., 1907-1908, No. 37, p. 27).

¹¹ North Dakota Sess. Laws, 1917, Chaps. xcv, xevi, xcvii.

¹² Ibid.

¹³ Ibid., Chap. excii, p. 259.

¹⁴ Ibid., Chap. lvi, p. 63. It is also interesting to note that at this session the Governor vetoed a bill appropriating \$300,000 for a terminal elevator. He said there was neither enough funds for such an appropriation nor was the sum large enough. The veto of the bill, he said, killed the plans of "Big Biz" (The Non-Partisan Leader, Mar. 8, 1917, p. 5; The Cooperators' Herald, Mar. 6, 1917, p. 1).

These measures, though acceptable to the League did not seem to the League leaders to go far enough. In addition it was found that the program of the reformers could not be enacted; first, because the State did not have the funds; second, because the constitution limited the indebtedness of the State and that limit had already been reached; and finally because the constitution specifically limited the business activities of the State to the operation of a terminal elevator.

Faced with these difficulties the leaders of the League reformed their organization, and thereby concentrating the control of it, placed that control in the hands of a national executive committee whose duty it was not only to aid in the selection of candidates but to carry the agitation to other States. Great difficulty was anticipated in holding the membership together for the coming two years. To accomplish this the League placed its membership on a biennial basis to correspond with the election years and was also forced, in order to keep up interest, to not only attack the grain interests, but business in general. This had the effect of arraying the business men of the small towns against the farmers, and the League leaders, catering to this ill-feeling, made an attempt to supplant the merchants by a series of cooperative chain stores and farmer banks, the organization of a sisal company to raise twine fibres in Florida and the encouragement of an Equity meat packing plant at Fargo. By means of these measures the League not only held the original membership but materially increased it. It was supported both by its numerous papers and the savage attacks of the opposition, together with the general dissatisfaction and discontent generated by a series of poor crops in the western part of the State, and in the fall of 1917 by the fixing of a minimum price for wheat, which later proved to be the maximum.¹⁵

¹⁵ The membership increased from 26,000 in November 1916 to about 50,000 in November 1918. No actual record of the membership has so far come to light. The only clue is the circulation of the Non-Partisan Leader, one copy of which was sent to each member.

Under such conditions the League faced the elections of 1918, offering as its platform the state ownership program of 1916 and supporting initiated amendments to the constitution, which would make it possible to enact this program into law. The bitter agitation of the past two years had arrayed against them the merchants and other inhabitants of the small towns who feared that their means of livelihood would be greatly impaired by the enterprises of the League, supported, as they would be, by the power of the State. The issue was thus changed from one of bettering the whole State and all its people to the aiding of a single class. The resulting conflict was as bitter as class prejudice and jealousy urged on by vehement and unscrupulous agitators could make it. The result was, of course, obvious. The League because of its superior organization, its control of the state government, the Republican Party and the courts, together with the numerical predominance of the farmers as a class, carried both houses of the Legislature, the chief executive offices and all the constitutional amendments.¹⁶

Thus the League came into power in the intense heat of a most bitter class conflict. It is little wonder that the resulting legislation evidences the marks of that struggle.

16 GENERAL ELECTION, Nov. 5, 1918									
Governor		Lt. Governor		Sec. State	State Auditor		Atty.-General		
R	D	R	D	R	R	D	R	D	
Frazer	Doyle	Wood	Smith	Hall	Kositsky	Serr	Langer	Woodedge	
N. P. L.		N. P. L.			N. P. L.		N. P. L.		
54,517	36,733	52,497	32,384	61,894	54,983	30,430	55,339	31,973	

CONSTITUTIONAL AMENDMENTS

	Yes	No
1. Voting privileges cooperative corporations....	49,392	32,053
2. Number of judges to declare a law unconstitutional	52,678	28,846
3. Hail insurance.....	52,475	30,257
4. Initiative and referendum.....	47,447	32,598
5. Emergency measures.....	46,121	32,507
6. Constitutional amendments.....	46,329	33,572
7. Taxation	46,833	33,921
8. Hail insurance.....	49,878	31,586
9. Debt limit.....	46,275	34,235
10. Public ownership of industries.....	46,830	32,574

Bearing in mind then that the agitation of the previous four years had absolutely convinced the farmers that as a class they were both down-trodden and persecuted and that "Big Biz" was not only most powerfully entrenched in its privileges but entirely unscrupulous and heartless in its exactions, we shall pass to the examination of the legislation of 1919.

The so-called "New Day" legislation of the Non-Partisan League was, with few exceptions, enacted at the 1919 session. The League had a two-thirds majority in both houses of the legislature and therefore could proceed with both determination and dispatch. This legislation falls naturally into four classes. The first two, industrial and ameliorative, we have mentioned above. The third includes those laws which will be termed propaganda, and which were enacted more for the purpose of cultivating the friendship of the labor element in the States into which the League had carried its activities during the previous two years rather than for the purpose of alleviating the condition of the small number of wage earners in North Dakota. Finally there was that class of enactments which had for their purpose both the silencing of criticism and the punishment of opponents within the State and which we shall term punitive.

The industrial laws include the acts creating the Mill and Elevator Association, the Home Building Association, the Insurance Department, of which the Hail Insurance Division was the most important, but which also included divisions both for the insurance of public buildings against fire and tornado and a division for the bonding of public officials, and finally the Bank of North Dakota, which was not only designed to operate a rural credits system but which also was made the depository for all public monies both of the State and its political subdivisions.

The laws of an ameliorative nature totally exempted from taxation all structures and improvements on agricultural lands, instituted stricter grain grading and dockage regula-

tions and a moderate income tax which differentiated between earned and unearned incomes.

The third class, those laws enacted for the purpose of supporting the activities of the League among the wage earning classes of other States, included workmen's compensation, a minimum wage and eight hour day for women and minors not employed on the farms, and an anti-injunction act.

The laws of a punitive nature included the legal newspaper law, the so-called "Anti-Liars Act" and the law creating an investigating commission popularly termed the "Smelling Committee."

Of these classes the first two alone contain those measures promised in the campaigns of 1916 and 1918. The other classes contain laws which it was found either necessary or expedient to enact in order either to silence the opposition, extend the League's power in the State or to influence prospective members in other States. Thus North Dakota, in the hands of the Non-Partisan League, presented the spectacle of writhing in the control of a well organized and powerful minority while she was being held up to prospective members in the neighboring States as a model of farmer democracy whose most cherished motto was "fair play."

After a professedly careful study of conditions, the leaders of the movement, in preparing their recommendations to this, the 16th Legislature, came to the following conclusions:

1. That North Dakota required a thorough-going system of state ownership, not merely a corporate or cooperative organization working under state regulation.
2. That the system of state industry so established should be financed by the credit of the State and repaid by the profits of the industries.
3. That the authority to establish and operate the state industries, with commensurate responsibility, should be definitely and certainly placed.
4. That such authority and responsibility should be placed in a small board directly elected by the people.

5. That this board should have absolute authority both to appoint and dismiss managers or directors of each industry or enterprise and that the latter should have like power to appoint or dismiss and should be responsible for all experts and employees within each industry or enterprise.

6. That the state enterprises should be operated for service and not for profit, but that charges for services should be ample to cover all costs and the building up of reserves.

7. That the State should establish and operate its own bank for the financing of all the state departments, industries and enterprises, for the handling of public funds and for the making of farm loans and the stabilizing of credit in all industries carried on by the State.

8. That the recall of elective state officers would be necessary in order to enable the people to exercise an effective control over those responsible for the management of the state industries.¹⁷

Proceeding broadly along these lines the Legislature enacted laws creating the state industries and established an Industrial Commission to conduct and manage on behalf of the State those enterprises and such others as might be established by law.

The Industrial Commission was composed of the governor, who acted as chairman and who might veto any action taken by the remainder of the commission, the attorney-general and the commissioner of agriculture and labor. This commission was given power to appoint a secretary and other subordinate officers or agents, and to manage, operate, control and govern all utilities, industries, enterprises and business projects now or hereafter established, owned, undertaken, administered or operated by the State, except such as are carried on in penal or charitable institutions. The commission may purchase, lease, or acquire sites by eminent domain, as provided by law; it may sell or dispose of any such property; it may fix prices of things bought and sold by the industries

¹⁷ Report of the Industrial Commission, June 1, 1921, p. 19.

under its control, and it may provide for the necessary funds for the carrying on of these industries by negotiating the bonds of the State in such amounts as may be provided by law.

Each industry was to be controlled by a manager appointed by the Industrial Commission and subject to its authority. The manager would therefore be responsible to the Industrial Commission, but on the other hand he had the authority to appoint and dismiss all subordinate officials and employees.

In this manner the leaders of the movement hoped to make the chain of responsibility complete and unbroken from the people who had the privilege to recall a member or the members of the Industrial Commission, to every officer and employee in the service. Thus it was hoped that indirection and complication could be eliminated and the shifting of responsibility made impossible. It was hoped that by this means the entire organization would be subject to the scrutiny and criticism of every citizen honestly interested in the securing of an honest and efficient public service.¹⁸

It will be seen that this commission, together with the Governor, wielded tremendous power, and until the adoption of the recall amendment in March 1920, was curbed only once in two years by the legislature and the people.

This power of the commission was greatly augmented both by the inadequate means provided for auditing the finances of the industries and the right of the commission to transfer funds from one department or industry to another without any check whatsoever.¹⁹ With the laws enacted by the legislature thus following the principle of the concentration of power in the hands of the governor and that governor following most obediently the commands of the leaders of the League, we find that in the execution of these laws the In-

¹⁸ Ibid., May 1, 1920, v. 18. The recall amendment was not made a part of the constitution until March 16, 1920.

¹⁹ The State Bank Examiner was empowered to audit the books or the industries but only for the purpose of determining whether or not their visible assets were overvalued. The Bank Examiner was an appointee of the Governor (North Dakota Publicity Pamphlet, June 26, 1919, p. 4).

dustrial Commission was affected most seriously by the class prejudices generated during the past four years.

In considering the execution of the industrial measures it is of prime importance to consider both the economic condition and the state of mind of the farmer.

Since 1912 there had been a comparatively swift rise in the price of wheat which was pointed to both by the Equity Cooperative Exchange and the Non-Partisan League as due, in a great measure, to their activities in forcing the terminals to play fair with the farmer.²⁰ This assertion concerning the power of the movement was used most effectively in leading the farmers to add successively the demand for the state control of each phase of that industry for which he supplied the raw material. Thus we see him first demanding terminal elevators, then flour mills and finally the machinery with which to finance these enterprises. Behind this whole movement stood the leaders of the League who, through their control of a large part of the weekly country press, a number of influential daily papers and the executive officers of the State, successively directed the farmers from one phase in the movement to another until they had him believing that it was possible for the political officers of the State to carry on successfully any enterprise whatever.

The farmer, however, being a property owner and consequently not desirous of having his taxes increased as a result of this movement, was persuaded to allow the Non-Partisan League to embark upon such a program by means of the use of the State's credit. It was therefore effectively pointed out to him that the industries when once started would be self-supporting and that the earnings could be used not only to reimburse the State but to create a fund whereby either other or similar industries could be financed.²¹ It was claimed that the profits of the middleman were so great that it would not only be possible to do all this but to increase the price paid for raw materials and lower the charge for the manu-

²⁰ See Plate III and Appendix I.

²¹ The National Non-Partisan Leader, Jan. 18, 1917, p. 2.

factured article. This latter anticipation was due in a great measure to the speculations of Professor Ladd and the ready pencil of the propagandist.²²

Thus having in mind an exaggerated idea of the profits of the middlemen the farmer, falling into the same error that wrecked the cooperative activities of the Grange, voted lavishly of the credit of the State and contributed handsomely towards a host of cooperative enterprises, not for the purpose of stabilizing and regulating the market, but for securing the fictitious profits of a hypothetically bonanza undertaking. He was cautioned often to first experiment with a small establishment and then enlarge should the smaller endeavor prove the worth of his argument.

Since there were some who possessed more of caution than of temerity and since it was deemed wise to absolutely convince these erring doubters, the Industrial Commission determined, in August 1919, to purchase and run a one hundred and fifty barrel mill at Drake. The acquisition of this property, it was argued, would have the advantage of not only demonstrating the truth of the contention of the advocates of state-owned industries but also furnish the Industrial Commission with the opportunity to manage an active industry. With the added advantage of controlling the State Bank Examiner, who was the only official having access to the books of the institution, the Industrial Commission not only succeeded in showing a profit on the undertaking but was able to pay the farmer twelve cents more than the market price for wheat and sell him flour at fifty cents a barrel under the market. This they did in face of the fact that they were actually losing \$1.58 on every barrel of flour they ground.

Paper profits were thus easy to earn and doubtless figured largely in generating the enthusiasm with which the announcement, on October 22, of the location of the first and largest unit of the mill and elevator system at Grand Forks.

²² N. Dakota Agricul. Ex. Station Bull., No. 114; Report of the Industrial Commission, May 1, 1920, June 1, 1921; The N. Dakota Publicity Pamphlet, June 29, 1919.

This mill was to have a daily capacity of three thousand barrels and to be operated in conjunction with a terminal elevator and grain hospital of 1,659,500 bushels capacity.

It has doubtless occurred to many to ask why the largest and chief unit of the mill and elevator system should be located at Grand Forks, where it would be able to serve only the northern third of the State, when even the people of Grand Forks expected that the plant would be built at some place more accessible to the farmers of the entire State and where every grain grower could have his grain conditioned and forwarded to the market? In this as in other matters both political expediency and the vitriolic hatred engendered during the past two years urged the leaders to fly in the face of sound economic advice and judge themselves capable not only to defy but to reconstruct the economic system that had been built up through a generation of toil.

The prime cause of this move was political and centered about the revolt of the attorney-general and secretary of state, who together controlled the state banking board to which the state bank examiner, though an appointee of the governor, must report. These two men, resentful of the high-handed methods made use of by the leaders of the League and apprehensive of the now brazen attempt not only to control the selection and printing of school texts but also to secure the control of the State's school and university endowments so as to invest them in the state industries, sent a deputy bank examiner to Fargo to examine the accounts of the Scandinavian-American Bank, a League bank purchased for the purpose of financing both the League and its projects.

The blow was aimed straight at the heart of the League and bore fruit at once. It was thus made public that through this bank the leaders of the League had, by means of discounting worthless notes, been systematically bleeding the Bank of North Dakota.²³ Therefore, fearing that the mem-

²³ The Bank was closed October 2, 1919. The capital and surplus of the Scandinavian-American Bank was \$60,000. The deposits amounted to \$1,606,847 of which about \$700,000 were individual

bership would both doubt the ability of the League to conduct the new industrial system and become apprehensive of the sincerity of its motives and the fidelity of its leaders in the custody of the huge funds subscribed, President Townley called a convention of League members for October 21, 1921. At this convention he not only urged the membership to honor their post-dated checks and notes given either for dues or drawn in payment of stock in League enterprises, but also announced that the Industrial Commission had selected Grand Forks as the city in which the first unit of the State's mill and elevator system would be built. Grand Forks, he went on to say, was selected in preference to Fargo because the Fargo banks had seriously embarrassed the Scandinavian-American Bank by withdrawing their funds when they were secretly informed that the banking board was about to examine this bank. He said further, that perhaps at some future time when Fargo, having realized her folly in antagonizing the farmer movement, had ceased such action the League might consider her as a favorable location for one of the smaller units.²⁴

deposits and the remainder money due other banks. Of these deposits \$734,194.32 were in excess loans and were therefore the cause for closing the bank. Of the bank's loans \$432,956.60 was loaned directly or by means of accommodation notes to the Non-Partisan League and three of its affiliated organizations, and was secured by farmers' post-dated checks of \$32.00 or less. This security was only technically in the hands of the bank, since an employee of the League had access to them and could remove them without a receipt (J. D. Bacon, *The Sovietians*, pp. 34-58; A. A. Bruce, *The Non-Partisan League*, pp. 185-189; William Langer, *The Non-Partisan League*, pp. 67-85; H. E. Gaston, *The Non-Partisan League*, pp. 303-309; C. E. Russell, *The Story of the Non-Partisan League*, pp. 309-321; *The Non-Partisan Leader*, Oct. 20, 1919, p. 7).

²⁴ *The Bismarck Tribune*, Oct. 23, 1919. It was in Fargo also that Loftus had met with considerable opposition both from the people in general and from the influential citizens. It was to punish Fargo for her treatment of the Equity as well as of the Scandinavian-American Bank that Townley gave Grand Forks the mill and elevator. At the 1914 convention of the Equity the farmers were forcibly cleared from the hall in which they were meeting in order to make way for the Fargo Commercial Club's program. The farmers were never allowed to forget this. On different occasions during the past two years League meetings in small towns were barred and the participants driven out by pettifogging small-town

This move had three objectives. First, to punish Fargo and thus to impress the membership that Fargo business men alone had by some occult means brought about the closing of the Scandinavian-American Bank. Second, to win over to the side of the League the opposing faction in Grand Forks, and finally to impress upon the opposition as a whole that the League had it in its power to punish and furthermore would punish any community that might attempt in any way to thwart its plans.

It is clear that the leaders used their power to attempt in the most unscrupulous manner to forward the farmers' program. As long, however, as that power was used to influence public opinion and to locate the points at which the public enterprises were to be established the activities of the League were successful. It was, however, in the financing of the Mill and Elevator project, the Home Builders' Association and the Farm Loan Department that their difficulties became insurmountable.

The Home Builders' Association was a state project in the form of a state controlled building and loan association. It was devised for the purpose of aiding the farmers and residents of the towns to build homes of their own. These homes were not to cost more than \$5,000.00 and the State was to enter upon the construction of them only when the home builder had deposited twenty per cent. of the cost of his house. The building was then to be financed by a sale of state bonds sufficient to complete it. These bonds were to be secured by a first mortgage in the property and were in addition a first lien upon the tax funds of the State. The State was to be reimbursed for the funds advanced by monthly

merchants who happened to have control of the town halls. This came as a result of the intense class feeling generated by the League leaders. The Cooperator's Herald, Jan. 30, 1914, describes the Fargo episode. The League was continually attempting to secure the open support of the Equity. However, in spite of its efforts the Equity leaders, realizing the temporary character of the Non-Partisan League movement, were either indifferent or but lukewarm spectators, although a few of their men went over to the League.

payments covering a period of not less than ten nor more than twenty years. The plan differed from the ordinary building and loan association in that the State undertook to build the home. It was hoped that by this arrangement not only the contractor's profit but also the retail lumber dealer's margin could be saved.

The League here as well as in the mill and elevator project, permitted political considerations to outweigh business caution by selecting men to carry on this work who were gauged not by their ability but by their influence. Then in order to impress the farmer with their zeal for action and their independence of the monied interests they set about building fifty-seven houses in different parts of the State, not according to the provisions of the law, but on oral contracts and some with no contracts whatever, and with only a few having paid in the required twenty per cent. of the building cost.

To carry on this extensive building program the manager of the Home Builders' Association purchased large amounts of material and had them deposited in different parts of the State. This action in itself might have been pardonable if the building program and the purchasing of material had been carried on with an eye both to economy and system. Here, as in other matters, political ethics, or lack of ethics, prevailed. Material was purchased without regard to price or utility. Neither was any account kept of the amount of material or labor used in any building. Such was the condition of affairs that when the auditing firm, employed to straighten out the tangle in 1921, came to perform its duties it found that the overhead alone was greater than the entire income of the association and that no part of that income had in any way been applied to the reduction of the loans advanced by the State.²⁵

²⁵ The total loss of the Home Builders' Association was \$152,000.00. This may be increased by some \$311,000.00 should the cases now pending in the courts be decided in the negative. The law provides that the houses were not to be sold for more than \$5000.00. Fifty-one of the fifty-seven houses were built according

This slipshod handling of the funds of the State was not done without a motive. This carelessness and waste was only the accompanying phenomena of political haste. The leaders of the League and consequently the administration felt that it was necessary to impress the laboring classes, with whom they wished to unite so as to control other States, that in North Dakota the State was actually doing something for the laborer as well as for the farmer. The feverish activities of the Home Builders' Association were not so much an evidence of an attempt to relieve the farmer as they were a means by which the League hoped to be aided in its ramifications in other States.

The Farm Loan Department was a division of the Bank of North Dakota, whose function it was to make loans to the individual farmer in amounts neither to exceed \$8,000.00 nor one-half the appraised value of the land mortgaged as security. The mortgages thus obtained were to be exchanged for state bonds which were to be sold by the bank in the open market at a rate of interest not to exceed six per cent. The bonds, in turn, were secured both by the mortgages and a first lien on the taxes of the State. The interest rate to the farmer was to be sufficient to cover all expenses and a small additional charge sufficient to amortize the loan in a period of not less than ten nor more than thirty years. The plan was similar to the system applied in South Dakota and was adopted primarily because of the supposed fear of the farmer to make use of the Federal Land Bank system. The farmer, in this case, dealt directly with the State and was not required to join an association or subject himself to joint liability. The debt was a direct liability not only of the land in question but also of the State.²⁶

This plan for a state farm loan agency was admirable and illustrates the disinclination of the Anglo-Saxon to hamper his freedom of action by any direct restrictions or obligations.

to oral contracts and the claim is advanced that they were made for the legal price, that is \$5000.00 (Report of the Home Building Association to the Industrial Commission, Sept. 26, 1922).

²⁶ N. Dakota Sess. Law 1919, Chap. cliv, p. 227.

Under the League administration the plan doubtless would have been successful as is the case both in South Dakota and Minnesota. However, the forces of hatred, prejudice, suspicion and mismanagement which we have mentioned above influenced materially the application of the law. Here also political favoritism played its full rôle both in the selection of officers and employees and in the distribution of loans.²⁷

The source of the funds for these institutions was the Bank of North Dakota. This bank was organized with a capital of \$2,000,000.00 to be realized from the sale of state bonds. Its deposits were to consist of the current tax funds and sinking funds of the State and all its political subdivisions. These funds amounted to \$28,734,241.83 on April 15, 1920. The total resources of the bank on that date being \$34,819,793.81.²⁸ Out of these funds the bank had advanced on December 31, 1921, \$1,055,310.50 to the Mill and Elevator Association for construction purposes and \$413,716.16 for the financing of the Home Building Association. These loans were relatively small and seem to be warranted by the long time deposits held by the bank and which amounted to twice the amount of the loans. As long as the bank financed the state industries in this proportion to its long time deposits its action was reasonably safe and the bank was functioning as the majority of the electorate had supposed it was to function. They were willing, it seems, to put up with the inconvenience of correspondence banking provided they were assured that by this means the industrial program would be materially furthered.

Thus it was not the financing of the state mill and elevator

²⁷ Excess loans were made to partisans on land held for speculation even though these partisans were not residents of the State. League members' land was appraised liberally while a large number of those opposed to the League had their applications rejected.

No systematic method of accounting was used, so that when the new officers came to take over the work after the recall election in October 1921, they were forced to first sort out piles of paper of every description in order to find out what the former administration had done (Facts and Figures on N. Dakota's Rural Credits System, Report to the Industrial Commission, June 5, 1922).

²⁸ Bank of North Dakota, Bull. No. 4, Series 1920.

and the advancing of funds to the squandering manager of the Home Builders' Association that brought censure and finally the curtailment of the powers of the bank, but it was the uses to which these tax funds were put after the bank came into the control of them. Here as elsewhere the League leaders, possessed of a vindictive spirit, sought to destroy those who had opposed them politically. To this end they used the State's money not only to bolster up the credit of the Scandinavian-American Bank but to foster the organization of a series of League controlled banks in those sections of the State where opposition from the bankers could be, by this means, choked out. Friends and hangers-on of the movement received large advances while those who dared to criticise were allotted nothing. Funds were deposited in banks controlled by members of the opposition only to be withdrawn suddenly or at a most critical period.²⁹ In this manner the League administration, catering to labor organizations, lavishing the State's money upon its favorites and striking ruthlessly at any manner of opposition, carried on until the financial crisis in the fall of 1920, in spite of the fact that the bond issue of seventeen millions with which the state enterprises were to be financed was attacked in the courts and its sale consequently made impossible.³⁰ Since these bonds were not salable, the administration had borrowed heavily from the state bank so as to push forward its program to at least partial completion before the elections.

Yet even favored in this manner it seems certain that the League would have been defeated had this election come in any but a presidential year. However, that being the case and the League having control of the Republican Party, the

²⁹ A. A. Bruce, *The Non-Partisan League*, p. 96 ff.; Report of the Industrial Commission, December 31, 1921, pp. 19-30 (Audit of the Bank of North Dakota). Townley at one time planned the incorporation of two hundred state banks which were to be controlled by the League Exchange, a holding corporation for all League activities including the Consumers' United Stores Company, the Sisal Trust and the Publishers' National Service Bureau which controlled the League papers.

³⁰ 233 U. S., 253. The case was decided June 1, 1920.

League administration slid into office by a five thousand majority, due entirely to the momentum of the Republican National organization. In spite of this fact, disgust with the administration was registered in the passage of two initiated measures, one curtailing the deposits of the Bank of North Dakota by permitting the state treasurers to deposit the funds in their custody where they saw fit, and the second permitting an audit of the state industries by a public accountant.⁸¹

The initiated public funds measure coming as it did, in the midst of the financial crisis, so disorganized the bank that for a time it was forced to register the checks drawn upon it and pay them as it secured the funds. In addition the financial crisis was so severe that a large number of banks were forced to close. Among these were almost all the banks that the League had fostered. These banks, having been favorites of the administration, had tied up in their liabilities over \$1,500,000.00 of the assets of the Bank of North Dakota. This amount then, added to the sum advanced the state industries, aided materially in embarrassing the administration.

This was the condition of the chief state industries at the close of 1920. An exception to the rule of extravagance and revenge was the conduct of the State Hail Insurance Department. Here alone we find the director possessed of a conservative business instinct. However, here alone the wastage of an extravagant and lavish public official would be registered directly in the premium paid by the subscriber. The selection, therefore, of a cautious and hard-headed business man is evidence that the administration was alive to the situation in knowing both where to be lavish and where to be conservative. It was for this reason that the State Hail Insurance Department was conducted most efficiently, although this efficiency was due also to the ability of the director to withstand the temptations of extravagance when

⁸¹ The Public Funds Measure carried 114,022 to 106,853. Examination of state industries carried 118,269 to 102,238. Frazier, Non-Partisan Candidate, Republican—117,118; T. F. T. O'Connor, Independent, Democrat—112,488.

lavishness and not economy had become the watch-word not only of the state officials but of a large class of the citizens.

State hail insurance in North Dakota was an adaption of the idea of mutual hail insurance. It differed from the ordinary mutual plan in three respects. In the first place the assessors secured the data concerning the crop areas and reported it to the county auditors who then communicated their findings to the central office. Second, the State considered all land insured unless specifically withdrawn within a certain period. Third, the revolving fund with which the losses were paid was secured by means of a direct tax on all farm land of three cents an acre for a period of six years. Thus the Hail Insurance Department made use of an existing organization for the purpose of carrying on its business. By this means they were able to secure a fairly efficient service at an expenditure far less than that which a private company would be forced to make.

The system thus had several advantages over the private companies. In the first place the farmers' growing crops were considered insured unless he determined otherwise. Second, the premiums were a lien on the land and could be sold in the same manner in which taxes were disposed of. Thus the State was not subject to a loss of premiums which are a considerable item in the expense account of a private company. Finally the losses were assessed pro rata against all insured acreage in the State, and since the State had a practical monopoly of the hail insurance business the risk was spread over the whole State and the danger of severe losses and a consequent diminution of the award was correspondingly lessened.

Of all the enterprises begun by the League this one alone has been successful. This has been due, in the first place, to the recognition of the fact that any tampering with the funds would be reflected directly in the premiums. Secondly, the recognition of this fact led to the selection of men recognized for their ability rather than for their influence. Finally, the strict application of business principles held the

department entirely aloof from the "mud slinging" and "word bandying" squabble that had made "The Program" the butt and tool instead of the ideal of the Non-Partisan League.

The second class of measures advanced by the league, that is, those measures which were classed as ameliorative, were considered as second in importance only to the industrial program. Few legislatures had forgone the task of attempting to enact a grain-grading law that would be applicable to North Dakota conditions, and though the statute books were loaded with such enactments, as yet not one of them had secured for the farmer what he considered a fair grain-grading system. It is little wonder then that the Non-Partisan League should have as one of the cardinal planks in its platform the promise to establish a workable grain-grading system.

To this end a law was enacted which provided that grades should be fixed, as near as possible, according to the milling value of the wheat. Then to make sure that such grades would be established correctly and enforced impartially the execution of the law was given to a member of the faculty of the State Agricultural College, where tests to ascertain the milling value of wheat had been carried on since 1905.³² To further insure that the grain buyers would comply with the law the inspector of grain was permitted to fix the price.³³

These laws, however, were no more effective than the acts passed by former legislatures. The reason for their failure is, of course, obvious. North Dakota had neither a large consuming center, a monopoly of wheat production, nor a terminal, and therefore since all the grain sold in the State was shipped to foreign markets, the grade upon which the wheat could be sold must be determined by the market for which it was destined. This being the case there was nothing left for the inspector of grain to do but promulgate his grades and watch the buyers ignore them, for the inspector was

³² The Reports of the President of the Agricultural College, 1905-1923.

³³ N. Dakota Sess. Laws, 1919, Chaps. cxxxviii, cexli.

neither able to enforce them nor, by the fixing of prices, control them.

The inspector of grain had, however, another string to his bow, for the Legislature had empowered him to force the dealers to pay for valuable dockage. In the enforcement of this provision he was successful and to such an extent that the farmers overlooked the failure to enforce fair grain grades. Further, the Legislature had designated the inspector of grain also inspector of weights and measures. It was in the enforcement of this law, the first of its kind on the statute books, that the inspector of grain, Professor Ladd, gained for himself no little popularity. Thus, though the grain-grading law was a dead letter, the League, through the activities of Professor Ladd, was able to take to itself no little credit for cleaning up the grain trade.

The second measure of an ameliorative nature, the exemption of farm improvements from taxation, had long been discussed by the North Dakota farmer. Since the early days he had looked with envy upon the rich speculator who, by the simple process of holding his unimproved land, had been able to reap the benefits of the improvements that the pioneer had had to sweat for. Nothing seemed more unjust to him than that the wealthy should reap the profits which came because his hard labors had increased the value of the land. He failed to see any justice in a system that taxed improvements and cultivated land more than the idle acres of the speculator. The taxing of all lands according to their actual valuation and the exemption of farm buildings and a considerable amount of machinery was therefore a popular measure.

In his eagerness to tax the speculator the farmer failed to recognize the fact that the total sum of taxes would, in any case, be the same and therefore the exemption of improvements would bring a larger part of the taxes to the smaller land holder. In other words the taxes paid by the large land holder in comparison to those paid by the smaller would be in inverse proportion to the value of the improvements. Thus the individuals owning small parcels of land in the towns

but having considerable capital invested in buildings escaped a large part of their former tax burdens and consequently were the only ones benefited by the law. It was this very class that the farmer had wished to tax to the utmost and his escape only added the more to the already overflowing cup of hatred and prejudice.

Thus the measures of an ameliorative nature, with the exception of the establishing of an inspection of weights and measures, and the forcing of the elevators to pay for valuable dockage, failed, and in failing brought home, in part the lesson that conditions resulting from the inter-play of economic forces cannot be corrected by legislation alone.

We have mentioned above how the industrial legislation was used both for propaganda abroad and as a weapon of terror at home. This legislation, alone, it would seem, would be enough to win over the most obstinate. Yet it must be remembered that the League had gone into other States and was attempting to solicit the favor of other classes, notably organized labor whose members could look with suspicion upon a band of farmers, who were in truth capitalists and whose laws offered no protection to the workingman. It was to rid themselves of this stigma that the legislature enacted its labor legislation. No farmer, however, cared to be subjected to the burden of insuring his help against accident, neither did he care to adopt the eight hour day as a standard for his men when he himself must work from twelve to sixteen hours. It was for this reason that the labor legislation enacted by the 1919 legislature carefully exempted farmers and farm labor, and left to the protection of the law only a few of the thousands in the State dependent upon wages for a living. Women and minors could toil forever on the farms without the slightest protection, but the grocery clerk and stenographer must not only have their hours of labor limited but had to be amply protected from the dangers of their occupation.³⁴ Thus these laws exempted the farm

³⁴ This trait of the farmer has repeatedly made itself evident. He is always ready to reform everybody and everything but his own

hand whose occupation was by far the most dangerous and therefore were only applied to a very small group and of even smaller influence in the State. That such laws were passed for the purpose of influencing the discontented minority in other states is beyond a doubt.

The fourth class of legislation, that which we have termed punitive, was by far the most vicious. During the campaigns the leaders of the League had railed against the opposing newspapers calling them the "Kept Press" and mouthpieces of the chamber of commerce. It was natural, then, that they should attempt to wreak vengeance upon them for their temerity in opposing the farmers' cause. To effect such punishment legislation was enacted limiting the number of papers permitted to publish legal notices for a charge to one in each county and this one to be designated by a state publication and printing commission composed of the secretary of state, the commissioner of agriculture and labor and the chairman of the board of railroad commissioners. This selection was to stand until the next general election when the citizens of each county should select by ballot that newspaper which should be the official newspaper for the next two years.

The move was a most subtle one. It empowered the commission, which was controlled by the League, to select those papers which should be the official newspapers for the ensuing eighteen months. Since these men naturally favored those sheets that had supported them and since the legal notices furnished a substantial part of the income of every paper, it was hoped that such action would not only save the farmer a considerable sum, since he need not subscribe for more than one paper in order to obtain all the legal notices,

business and that he desires to be left as it is, resenting any change in the outside world that will inconvenience him. His reforming attitude is amply evidenced in the Prohibition movement which secured its first great victories in the agrarian districts where the farmers deplored the drunken sots who hung around small town saloons. The other side of his character is amply evidenced in his hostility to Dr. Wiley after he had made an attempt to prohibit the sale of bin-burnt wheat. When Dr. Wiley was reforming the Beef Trust, however, he was very popular.

but what was most important, it was hoped that by cutting off a substantial part of the income of each paper, both from notices and from a fall in the number of subscribers, the opposition press would be substantially reduced in numbers.³⁵

In addition to the above mentioned attempt to stifle criticism, the legislature enacted what has been commonly called the "Anti-Liars Act" which permitted the State to prosecute any state official who had made a false statement concerning the state industries. This law, together with the act creating the so-called "Smelling Committee," which was empowered to investigate and bring to trial any state employe willfully spreading false reports concerning the state industries, were passed at the special session of the legislature held in the fall of 1919 after the defection of State Auditor Thomas Hall and Attorney-General Langer, and were to be used to punish them for their share in the closing of the Scandinavian-American Bank and also their open and most damaging exposé of the lavish conduct of the State industries.

In the preceding discussion it has been apparent that no opportunity seems to have been lost to drive home to the opposition the fact that the League could not only threaten but dared to attempt revenge. To add to their power the judicial system, which was elective, came under their control. Here all precedent was cast to the winds. The judges of the supreme court had run on platforms in which they had announced what stand they would take on important cases about to come before the Court. They discussed pending cases in the press and pledged themselves to uphold all industrial legislation. Thus not even the courts were free to the private citizen, should the case in any way have a bearing upon the policy of the administration.³⁶

³⁵ N. Dakota Publicity Pamphlet, June 26, 1919, p. 17.

³⁶ At the Fargo Convention of the Non-Partisan League in the spring of 1916, Mr. Townley had said, "We've got to have a Supreme Court that will hold constitutional the laws we pass in the Legislature" (The Grand Forks Herald, Feb. 2, 1919). One case of particular notoriety, the Youman's Bank case, was reopened even after final judgment and the sending down of the final order or remittitur (A. A. Bruce, The Non-Partisan League, pp. 190-198).

It might be asked, what is the purpose of reciting the details of this petty quarreling and class prejudice? The answer to this question reveals the cause for the fall of the League from power. The vindictive spirit of its leaders, the terroristic methods of the administration, the seeming eagerness of the legislature to lend aid to the spread of the League in other States, the reckless use of public monies, the violent class-feeling aroused, and finally the prostitution of the courts so influenced the opinion of the money market that the Industrial Commission was not able even after favorable court decisions to dispose of any of the bonds of the industrial series and only three million dollars of the farm loan series and these at a substantial discount. This circumstance so tied the hands of the administration that when the financial crisis came in the fall of 1920 the League leaders found that they had burned all their bridges behind them. Public opinion had begun to disfavor them and the elections of that year though they gave the executive offices to the League gave the lower house of the legislature to the opposition. Investigations became the order of the day adding discredit to the already embarrassed position of the League. With its financial methods exposed, its program incomplete, and its credit worthless, the recall election directed against the Industrial Commission in the fall of 1921 ended the misery of an already hopeless position.

There is no doubt that the great slump in the value of farm products had aided materially in the defeat in that it had added greatly to the prevailing feeling of pessimism. Even under these circumstances, however, the farmers defeated the League only upon the administration issue. They carefully withheld their approval of the request to scrap the

Added to this open prostitution of the courts the League heaped insult upon injury in its brazen attempts to violate the neutral position of the schools by the attempt not only to control the funds but the faculties as well. The University and Mayville Normal scandals only served to add still more to the numbers of the opposition.

industries. By means of the referendum and initiative the electorate was permitted thus to outline the policies which they expected the government to follow.

The endorsement of the industrial program by the electorate, it seems, was not due to any belief on the part of the majority that any relief would be extended the farmer through state ownership. The exposures of the past two years seemed to have definitely convinced the farmer that politically controlled industries would not function. Therefore the affirmative vote on the state industries seems to have been due to other causes. Since 1916 the per capita tax had risen from \$24.81 to \$48.43, an increase of 195 per cent. The state general property tax had increased 320 per cent. School taxes, due to the rise in teachers' salaries, the general willingness to bond the districts for new buildings and the rise in the price of supplies and equipment, were increased 236 per cent. This increase, in itself, could have been borne easily had the price of the farmers' chief product remained somewhere near its war-time value. This, however, was not the case. Wheat had fallen to one-third its 1919 value and to almost one-half the 1916 price. Farm products in general had their value cut to one-third of the war-time prices. Farms which had sold for \$100 to \$150 an acre now had the money value of their crops reduced to the point where not even the interest on the investment could be paid. In general the farmer found deflation affecting everything but his debts. Under such conditions he was loath to saddle himself with more taxes when those he now paid amounted to what was considered excellent rent.³⁷ The action of the electorate in refusing to give its assent to the destruction of the state industries, it seems, should therefore be understood rather as an attempt to save what little there was left and in this manner relieve themselves of a heavier tax burden than as an endorsement of a program of state industries which, it seems,

³⁷ For taxes and wheat prices see Plate III and Appendices I and IX.

the majority had already made up their minds was impractical.⁸⁸

Thus came to a close a movement marked by bitterness perhaps unequaled since the movement for the abolition of slavery. It had been watched most intently both by the most radical as well as those imbued with a sense of rigid conservatism. To the Socialist it appeared as the dawn of a new day. To the opposition it seemed to be an attempt to undermine the system of private property. However, to the farmer it meant far more than the embodiment of a theory or the destruction of a system. It was to him an attempt to secure control of the marketing of his products. The diminishing returns of his broad acres had forced him to seek out new economies and he felt that the middlemen ought to be forced to forego a part of their profits. True his idea of the size of those profits was exaggerated, for he had grossly

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RECALL ELECTION, OCTOBER 28, 1921

Industrial Commission:

Governor		Atty-General		Com. Agri. and Labor	
Frazier	107,332	Lemke	105,575	Hagen	105,914
N. P. L.		N. P. L.		N. P. L.	
Nestos	111,434	Johnson	112,361	Kitchen	111,249
Independent		Independent		Independent	

Constitutional Amendment:

	Yes	No
1. Debt Limit. To increase to \$7,750,000.00 from \$2,000,000.00	101,034	104,822
2. Compensation members of the Legislature from \$300.00 to \$1,000.00	88,168	112,622
3. County officials. County judge to be clerk of court in counties having less than 8,000 inhabitants	94,661	105,975

Initiated Measures:

	Yes	No
1. Non-Partisan elections	93,103	108,324
2. Partisan elections	100,672	108,409
3. Public depositories. Removes the bank of North Dakota from the list of public depositories	103,474	106,225
4. Industrial Commission. Limiting the power of the Industrial Commission	101,438	106,230
5. Rural credits. Curtails the Rural Credits Departments	103,933	105,821
6. Bank of North Dakota. Dissolution of the Bank	101,353	105,591

underestimated the value of their services. However, it seems that the farmer had failed to analyze the situation correctly and in thus failing he had overlooked the falling productivity of his soil and the increasing cost of production. Being by nature a wheat cropper rather than a farmer, a gambler rather than a producer, he fancied that the value of his crops changed only slightly and therefore any diminution in his returns was due to the greater share appropriated by those who handled his crops. He had failed to see the true cause of his misfortunes and therefore, desiring a tangible object upon which to fasten the blame for his condition, he sought that ancient and most convenient person, the middleman. Then listening to the positive assertions of those eager for power, he was led to attempt to obtain by the power of the State that which was denied him at the market.

This tendency to look to the State for aid, as we have pointed out above, had had a gradual growth and was bound up in the source of the people as well as in the action of former administrations. So great had the faith in the power of the State become and so pressing was the need for relief that the ill-advised and poorly informed farmer gladly welcomed those who professed to be able to use it for his benefit.

That the establishment of a three thousand barrel mill and a terminal elevator of one and one-half million bushels capacity would in any way ameliorate conditions in a State producing over one hundred and fifty million bushels of grain cannot be claimed. The size of the plant precludes such a possibility. Yet the establishment of these institutions and the fighting of the battle for their establishment has aided immeasurably the movement towards better marketing.

During this period of agitation the farmers' elevator movement had gone on apace. The number of farmers' elevator associations had increased from 446 in 1915 to 621 in 1921.³⁹ This meant that practically every farmer in the State was within easy hauling distance of one of these associations. The effect of such conditions upon the country price of grain can only be appreciated when one is cognizant of the early

³⁹ See Appendix VI.

conditions in the State. Now the terminal price was the country price plus freight and a small handling charge. The farmer was getting the full value of his grain, dockage was being paid for and many of the irregularities of the early grain trade had been eliminated. All this had come about because of the intense interest of the farmer in his market and this interest had been aroused by the Non-Partisan League. Thus the movement for better marketing had been furthered both by a desire for economic justice as well as a desire to get even so thoroughly aroused in the minds of the farmers by the Leaders of the Non-Partisan League.

In addition to influencing the rise of a large number of cooperative associations the agitation of the League had even a more far-reaching effect. Through the immense amount of literature it distributed, through its continual presentation of marketing questions for discussion and finally through its attempt to enact a definite program the League, although it disseminated its ideas in a manner repugnant to American standards, brought about a most thorough discussion of existing conditions. It brought home to the producer with far more emphasis than Mr. Loftus had in any way been able to do that the control of the terminals by farmer representatives was the means by which the producer might not only hope to effect economies in distribution but perhaps, in the near future fix the price of his produce. Thus the farmer was finally led to the conclusion that the control of his terminal markets would be a good thing.

This rapid dissemination of the idea of farmer control of terminal markets was taken advantage of by the Equity Cooperative Exchange to change its methods from that of soliciting business from farmers' elevators to the direct representation of cooperative units. The capital stock of the firm was increased to \$10,000,000.00 in 1918 and a system of line elevators erected. These line elevators were the property of the exchange but were controlled in local affairs by those farmers in the locality where the elevator was erected and who had subscribed for stock in the system. The plan

was similar to the Canadian system with one difference. Here the farmers bought enough stock to enable the Exchange to build the elevator, while in Canada the cooperative organization through government aid advanced in the form of a loan as much as eighty-five per cent. of the cost of the elevator. Like the Canadian cooperatives great pains were taken to impress the membership that they were subscribing to stock in the entire system and not for a single elevator. This arrangement had the advantage of permitting local affairs to be taken care of by a local board, while terminal affairs could be directed by those well versed in marketing problems.⁴⁰

This movement for direct representation of the farmer upon the terminal markets has, since the repudiation of the Non-Partisan League, grown in popularity to such an extent that the Minnesota electorate has been finally won over to the justice of their demands. The great grain exchanges of that State were opened to cooperative associations through legislative enactment in March 1921, and six months later the National Legislature empowered the Secretary of Agriculture through the enactment of the Grain Futures Act to open the exchanges of the whole nation to cooperative associations.⁴¹

We have seen that the Non-Partisan League rose out of the bitterness of a campaign into which the Equity Cooperative Exchange, through the zeal of its patrons, had been unwillingly drawn. We have seen, too, that the League, whose inception was due to a demand for better marketing conditions, turned to the organized forces of Socialism in the State, and by means of these forces played upon the ignorance of the farmer concerning actual conditions and the value of the service of his marketing system, and thus led him to believe that a system of state ownership of marketing facilities would result in the eradication of his grievances.

The League, however, upon securing the endorsement of

⁴⁰ Theo. D. Hammett, *Cooperation in Marketing Kansas Wheat*, p. 32 ff.; L. D. H. Weld, *Cooperative Marketing of Grain in Western Canada*, in *University of Minnesota Bulletin*, p. 104 ff.

⁴¹ *Minnesota Session Laws, 1921*, Chap. xcix, Sec. 2; 67th Cong., 1st Sess., Stat. L., Chap. viii, Sec. 5e.

its program by a large majority, failed in the attempt to establish the promised system, first and primarily because the movement was political and was therefore forced to draw its appointees from that number who possessed influence rather than ability. In the second place, the League was forced to appeal to class prejudices in order to keep up interest in its proposals. This had the effect of not only making the movement a class movement but aroused those forces of terror so fatal in the predominance of a single class. Finally the League failed, because it sought to make of a state government, whose correct functioning depends entirely upon the existence of at least two sometimes diametrically opposed parties, a business machine whose success depends upon the unanimous confidence of its company in the ability of the directing officers.

In its failure however, the League seems to have accomplished its end. It has proven without a doubt that state ownership, because of the great temptations it affords to favor political factions, could not exist when it must compete with privately owned and efficiently conducted organizations. This fact and the fact that the farmer had been led out of his narrow local surroundings and taught to look beyond his small sphere of activity to his terminal market for the solution of some of those problems, the solution of which he was led to believe would better his condition, are the great contributions of the Non-Partisan League to the Agrarian Movement. If these facts have been well learned, and it seems that they have, the cooperative movement can go on its way no longer hampered by the socialistic idea that in state ownership lies the solution of the marketing problem.⁴²

⁴² A peculiar result of the failure of this movement has been the espousal of the cooperative plan by the Socialists as a means by which state Socialism can at this time be forwarded most advantageously.

CHAPTER V

GENERAL TENDENCIES

It must be acknowledged before attempting to express any judgment respecting the trend of the Agrarian Movement that it is not at all certain that North Dakota will in the future derive the great bulk of her income from the sale of a single product. Yet even though she should it is not even certain that that product will be wheat. With the increasing capitalization of the land the farmers of this State, like their predecessors to the east, have turned their attention to other items which in the early days were disregarded either because of the lack of a market, poor transportation facilities or the natural tendency of the farmer neither to change his ways nor to saddle himself with greater burdens for a small increase in returns.

In fact changes are already taking place. The increasing capitalization of the land does not seem to be due alone to the reluctance of the early settlers to part with that for which they have undergone innumerable hardships, but it seems to be due to the slow but steady infiltration of those who see or think they see in the North Dakota plains a chance to make greater gains by the application of more intensified farming, of farming as they knew it in Indiana, Illinois, Missouri, Iowa and southern Minnesota. This change is marked by the steady northward movement of the corn belt, the great increase in the number of live stock and the consequent shrinkage of the percentage of cultivated land sown to wheat.¹

One must not draw the conclusion that the farmers from the East and South found it easy to introduce other crops, notably corn. These men knew what profits were to be made from such cultivation, and therefore persevering in their

¹ See Plate IV and Appendices II and III. For the northward movement of the corn belt, see Alfred Atkinson and M. L. Wilson, "Corn in Montana," Montana Agricultural College Experiment Station Bulletin No. 107.

efforts, finally evolved strains that were fitted to the northern climate and thus their success seems to have accelerated the capitalization of the land.² They had estimated that although the land was now valued at its full value based upon its ability to produce wheat, yet it could be made to produce greater returns if more intensive cultivation was pursued. It therefore seems certain that the upward trend in the value of land had as one of its chief causes the gradual adaptation of the country to those crops that were more profitable.

Other factors, of course, are not to be overlooked. In the first place, weeds had become a drag upon productivity. Other crops must be used to clean and condition the soil. Bare summer fallow was for a time and still is an important means of cleaning the fields. However, this was too expensive a method to be used on high priced land. With a bare half of his land sown to his money crop it was imperative that the remainder return at least a small income sufficient to reimburse the owner for holding it.

It is doubtful whether the wheat farmer desired to change his methods and rotate his crops so as to obtain greater returns. The motive force for this change seems to have come from without and is due primarily to economic forces. The lands to the eastward, because of their increasing yield, due to more intensive methods, had gradually increased in value. The increase in population and the consequent greater demand, although this did not make itself felt until about 1912 when remunerative free land was no longer obtainable, has been a considerable factor in raising the price of land to its full capitalization on a minimum if not on average production value. The effect of this increasing capitalization in the East was first felt in North Dakota when those who were not able to purchase land where they lived moved westward, seeking the cheaper lands which would allow them the more

² The introduction of new varieties of corn that were adapted to the short growing season of North Dakota brought about great increases in corn acreage and a subsequent increase in live stock. It seems that a great part of the corn was used as ensilage or fodder for cattle.

easily to obtain a homestead. These immigrants naturally were forced to pay a price commensurate with the land's known productivity and the measure of the value of this land was naturally based upon its ability to produce wheat. It seems that the immigrant did this willingly, expecting to apply that system of agriculture which he had learnt in his old home and which he thought would bring him returns large enough to not only make a good living but easily pay for his farm.³

Another force which seems to have aided this movement towards intensive farming has been the desire on the part of the Scandinavian, notably the Norwegian, to make his farm his home. These people, possessing a more or less fearless spirit, have not hesitated to go into debt in order to improve their surroundings. The consequent embarrassment then when they found themselves unable to pay because of the diminishing returns of their wheat crop forced them, since they are possessed of a tenacious desire for a home, to resort to more intensive methods in order to retain and pay for their possessions. Since this nationality composes about twenty-four per cent of the entire population, their contribution, notably to the number of cattle, has not been negligible. In this case it seems to have been the younger generation which has adopted the more intensive methods which they seem to have acquired through the observation of those who had come in from the South.

Thus the tendency to diversify seems to be due to the capitalization of the land which is brought about in two ways.

³ The volume of this immigration is not easily ascertained. It seems to correspond somewhat with the emigration to Canada. This movement also has not been ascertained although the two seem to be complementary. However, it has been noticed that those who came in from the corn belt invariably attempted to raise those products with the growing of which they were familiar. Although they may have failed at first they continued to experiment with different varieties until they had ascertained that one which seemed best suited to conditions. The beginning of this immigration and the derivation of the hardier varieties of corn come within the same period, 1911-1915 (Corn in Montana, History, Characteristics, Adaptation, in Montana Agricul. Coll. Exp. Stat. Bull. No. 107).

First, by immigration into a country where no free land exists. Second, by the desire on the part of the younger generation to possess modern conveniences.

However, this movement towards intensive farming is most recent. It was not until 1912 that the raising of corn and potatoes reached even noticeable proportions and even now only four per cent of all cultivated land is devoted to these two crops.⁴ Even the raising of cattle, either for dairy products or beef, did not bulk large in the income of the average farm until the war brought added inducements in increased prices.

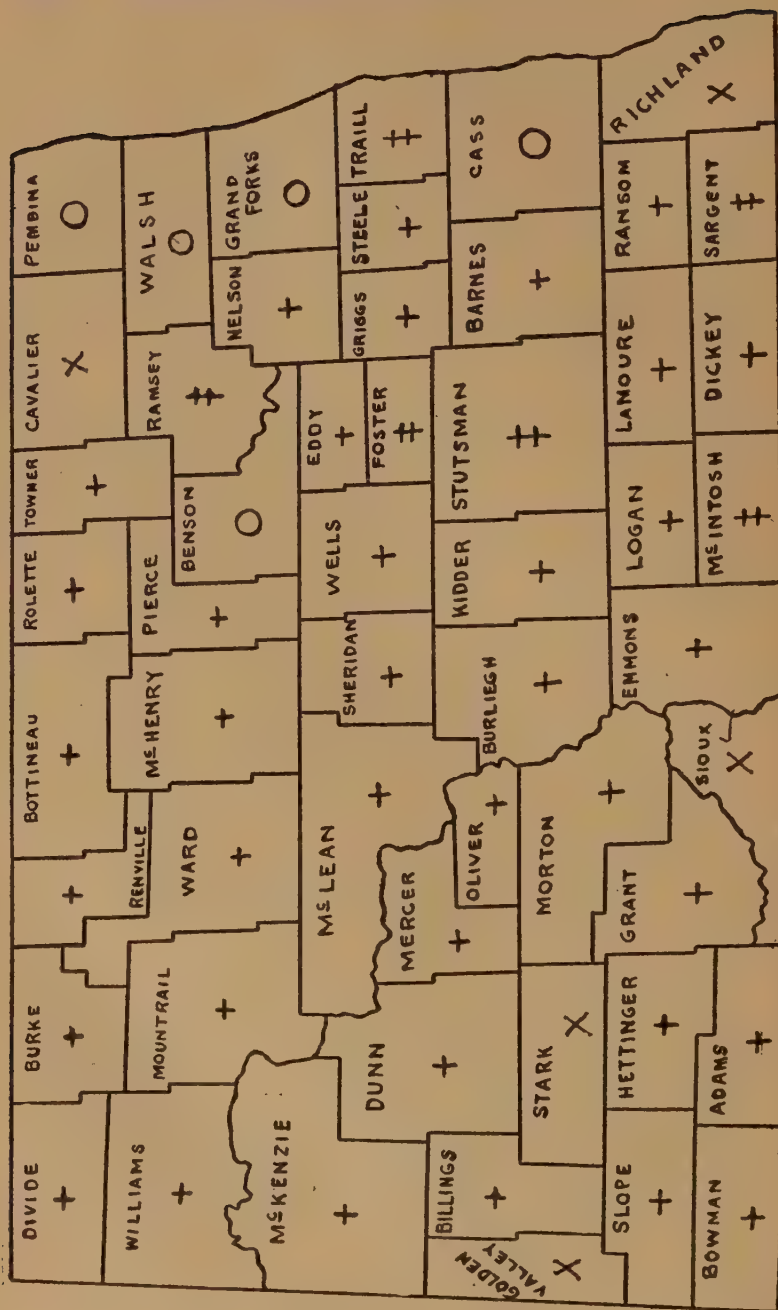
Yet even the change, small as it has been, has had a most salutary effect upon the farmer who has subjected himself to it. When it is noticed that this change in methods has been almost entirely confined to the eastern section of the State, and when it is borne in mind that during the Non-Partisan League agitation the great strength of the League came from the western part of the State, the results of the change in methods of farming are all the more important in divining subsequent tendencies.⁵ Thus too, it seems that diversification has a steadying effect upon the farmer. He becomes more cautious of political quacks and cure-all formulas. He has become a business man. He studies his market and the abilities of his soil, he is a farmer and no longer a mere cropper.

This implies that the wheat cropper, the man who gambles his all and all he can get on a single crop, who is willing to take a chance with the weather and all the numerous risks consequent upon such action, has been the one who has been responsible for this latest debauch in radical plunging. There seems to be no doubt but that the wheat cropper must shoulder the blame, and it also seems that the poor crops of the western counties during the years 1916 to 1921, in driving him from his lands, contributed in a large measure to the overthrow of the League. So it seems that a change in the method of

⁴ See Plate IV and Appendices II and III.

⁵ See Plates VII and VIII.

PLATE VII—GENERAL ELECTION, NOVEMBER 5, 1918
Constitutional Amendment, Public Ownership of Industries



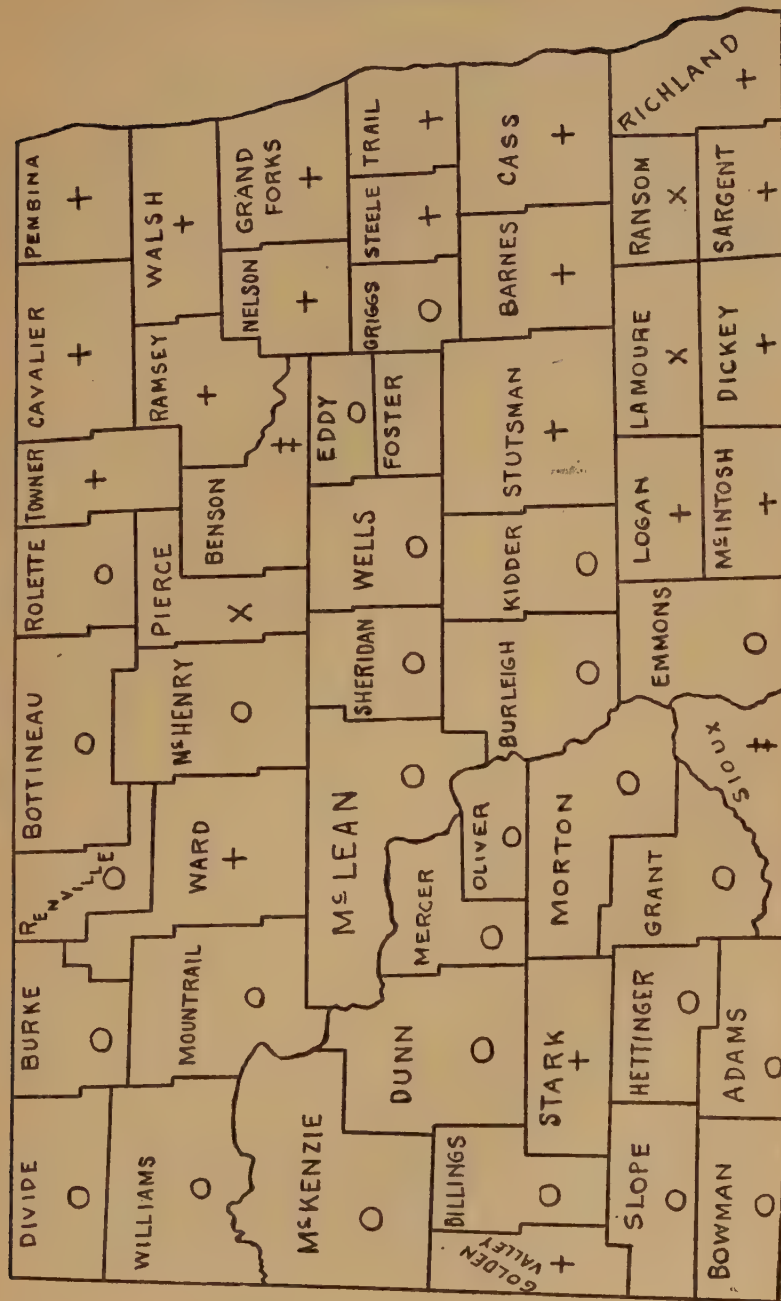
+ = For the amendment.

O = Against the amendment.

† = Bare majority for.

X = Bare majority against.

PLATE VIII
RECALL ELECTION, OCTOBER 28, 1921



+= Opposition Candidate for Governor, majority.
O = N. P. L. Candidate for Governor, majority.

‡ = Opposition Candidate for Governor, bare majority.
X = N. P. L. Candidate for Governor, bare majority.

farming will now rid us in a large measure of the ill-advised and seemingly preposterous demands that have come from that class since wheat was first raised extensively in this country.

Granting all this, is it possible to say that a change in the methods of farming will bring about the solution of the Agrarian Movement? That, it seems, must be denied, for we have ample evidence that it will not, since the Agrarian Movement has not been, primarily, a movement for more efficient production but, on the contrary, for better marketing. This has been, however, until very recently overshadowed by the attempt to aid the farmer to produce more in the erroneous belief that he would thus better his condition. This was the object of the Better Farming Association and the county agent plan. It does not seem to have been understood that the cropper only produces that which would afford him a fair living. He may have been interested in the "new-fangled" ideas but only the most energetic cared to try them. It seems to have been overlooked that the cropper was a "plunger" and therefore was not possessed of a great deal of business ability. He possessed his lands, not because of his farming capacity but purely because of his ability to live five years in one place. He had made money because, as he so often puts it, he was lucky. It is not until the younger generation comes with new ideas and larger wants or else immigrants come from the more intensely cultivated regions that we find even an inkling of sound conservative business habits, and these habits come with the capitalization of the land and its consequent demand for a regular income.

Before considering further the results of increased capitalization, it will be necessary to consider for a time the method by which the land had become capitalized.

In a country like North Dakota where industry has been confined to the raising of wheat the usual method of purchasing land is the so-called crop payment plan.⁶ A second form is the straight mortgage or installment mortgage.

⁶ That is, the farmer bought land for a certain specified price and

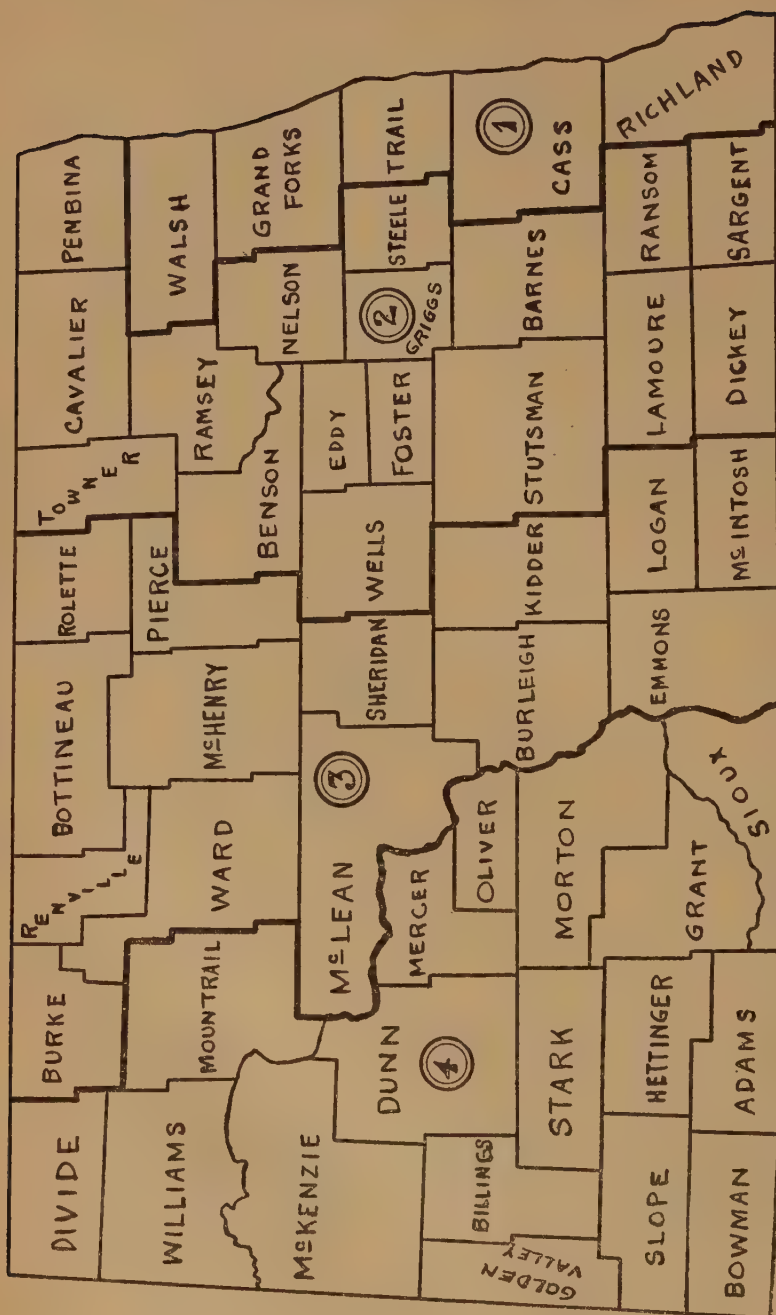
The first method, that of crop payment or contract as it is sometimes called, is made use of principally by those persons of small means who buy up land held by speculators. It is usually found in the wheat cropping sections and because of its form is little adaptable to any district where diversification has gone beyond the grain raising stages. For this reason the purchasers of land in those districts seem to be mercilessly bound up in the cropping system although provision is sometimes made in cases where the buyer is to live on the farm to allow him the use of a specified acreage for truck and pasture. However, the number of crop payment contracts executed where the buyer expects to live on the land are small in proportion to the total. This form of land purchase is used more for the purpose of aiding the farmer living in the community to expand his holdings rather than to bring in new settlers.

The second or mortgage plan of land purchase seems to be of rather recent origin in the State. Previous to the passage of the Federal Farm Loan Act and the adoption of the Rural Credits Act in North Dakota, farm mortgages were used more for the purpose of securing loans made for obtaining funds for improvements or for carrying the farmer over a period of poor crops rather than for the purpose of purchasing land. It is, of course, obvious that with the existence of the cropping system the crop payment plan was by far the most popular. The mortgage therefore did not come until the buyer began to make improvements, and then because of the fear of foreclosure in unfavorable years the loan was usually kept as small as possible and for that reason was able to command a rather high rate of interest.⁷ With the coming of more diversified farming however, the crop payment system broke down and for a time the short term mortgage was made use of to bridge the gap between cropping and diversification.

delivered the crop to the former owner less certain operating costs, and if he lived on the farm, his living. He paid interest on the capitalized value at the usual rate. Should the buyer fail to make his interest payments he could be dispossessed.

⁷ See Plates IX-XI.

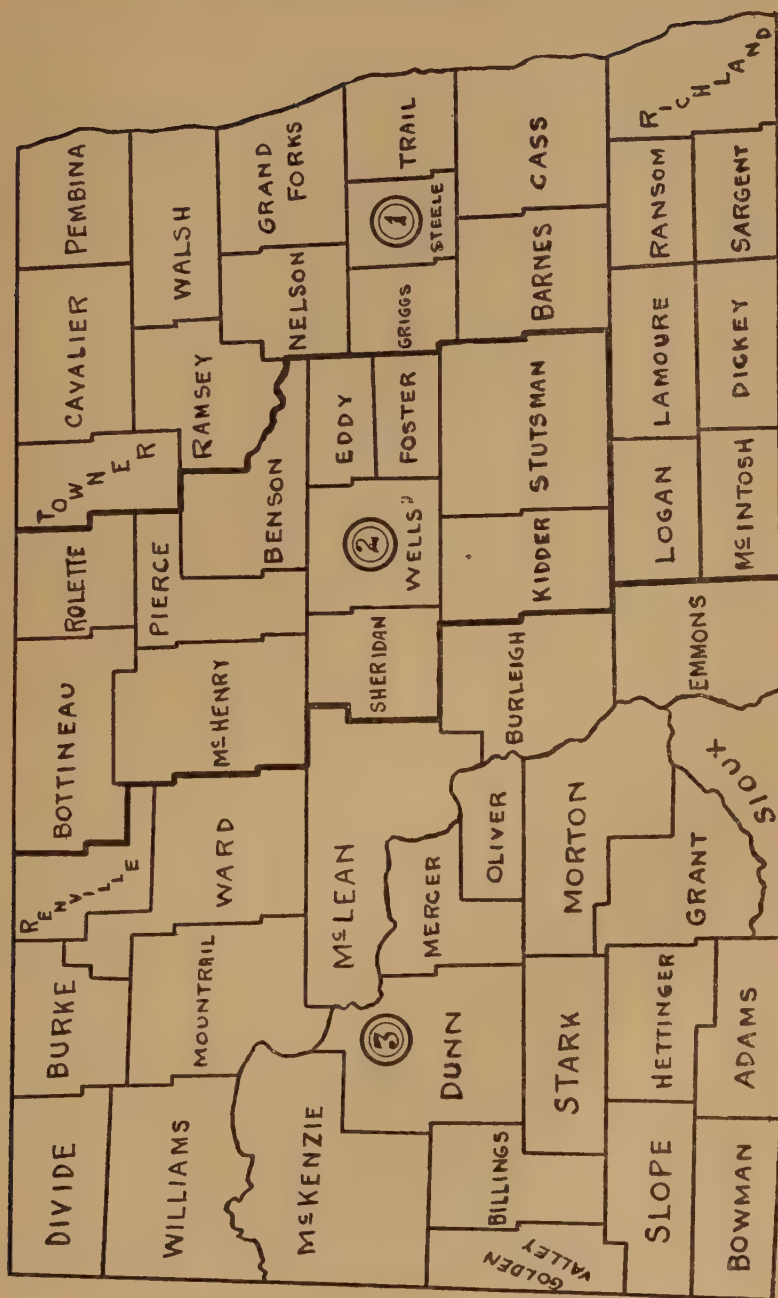
PLATE IX
RATES OF INTEREST FOR FIRST MORTGAGE 1913



These rates do not include commissions and therefore are one to two per cent. lower than the rate tabulated by the Department of Agriculture.

Statistics collected by R. L. McVay.

PLATE X



(Dept. of Agri. Bull. No. 384.)

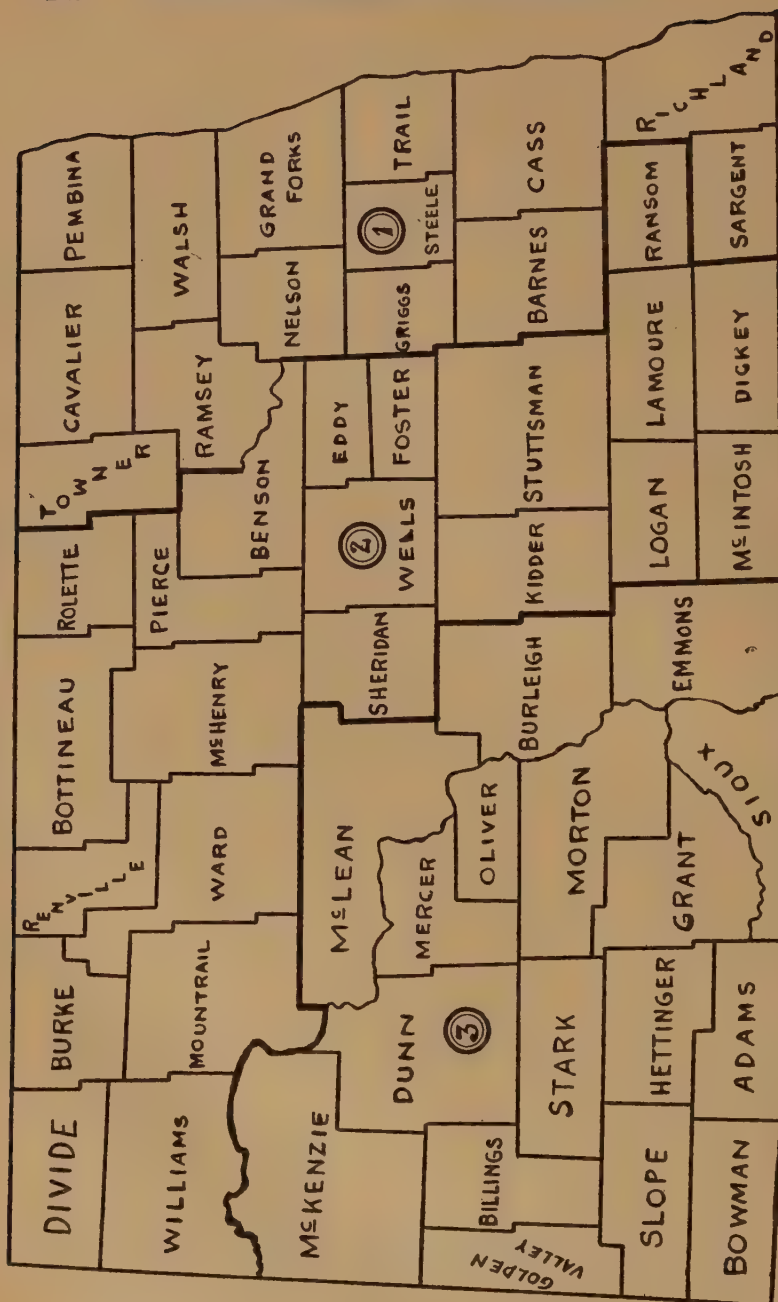
3 = 9.00—10.00%.

 $2 = 8.00 - 8.99\%$

1.77—7.00—7.99%.

PLATE XI

RATES OF INTEREST 1920

 $1 = 7.00 - 7.99\%$ $2 = 8.00 - 8.99\%$

3 = 9.00—10.00%.

(Dept. of Agri. Bull. No. 1047.)

This arrangement, however, was most unsatisfactory to the buyer, first, because the period was too short (five years was the usual period), second, because the mortgage carried a rate of interest fixed by the small loans for necessities, and finally it was generally used by unscrupulous land agents who were familiar with the eccentric crop returns and the tendency of those coming in from southern points to attempt to raise crops not adapted to the region and who would therefore exact from these newcomers a large first payment with the object of foreclosing when opportunity afforded.

Because of such conditions it is natural that there would be a demand for lower interest rates especially from among those who had bought in at prices above the average production value of the land and who had therefore begun to feel the results of their mistake. It was to this demand that the National Legislature listened when they enacted the Federal Farm Loan Act and it was to those who desired cheap credit that the Non-Partisan League catered when in 1915 it announced its advocacy of rural credits at cost.

It has not been possible to determine the exact influence of this new method of land capitalization upon present land values. Neither the Federal nor the State systems became effective until after the German War, by its inflation of the value of farm products, had brought about a corresponding inflation of land values. Yet this system may be said to have aided in upholding those inflated values by exchanging high-priced produce for a low interest rate. So it might be said that the lower rates offered by those institutions have increased the money value of the land in proportion to its production value and in so far as they have operated in this manner have not aided the farmer. It may even be said that in some cases they may have become a detriment to him in so far as they have indirectly aided speculation.

These disadvantages, such as they may be, are, it seems, offset by two eminently overshadowing benefits. First the system aids the industrious renter or farm hand of small means to acquire land on reasonable terms and through an

agency decidedly lenient rather than grasping. The system therefore partially fills that demand which free land at one time satisfied, with the added advantage that it is able to select its beneficiaries and thus avoid that more adventurous type so common among homesteaders, and to whom may be attributed the system of wheat cropping and its accompanying brood of preposterous economic formulas designed to make wheat cropping safe for wheat croppers.

The second benefit has already been hinted at. The demand for a regular minimum return, which the capitalization of land by means of loans over a long period of time has brought about, must necessarily lead to a system of agriculture that will insure a more steady flow of marketable produce. This can only be done by means of both diversification and more intensive farming. It means that the farmer of the future who moves on a piece of land for the purpose of eventually acquiring it must watch his returns closely, he must weigh carefully the advantages of any contemplated change and he must above all keep an account of his business so that he may know how he stands financially. He will have become a business man, not a gambler. Thus capitalization will bring responsibility and responsibility breeds conservatism in both demands and ideas.⁸

⁸ The State Rural Credits Department has now made an attempt to change its policy from that of loaning to any farmer to that of favoring those who make an attempt to diversify. It seems to have been recognized that regular payments of principal and interest cannot be made by those using cropping methods (Walsh County Record, Dec. 3, 1923). The Federal Land Bank of Saint Paul has followed such a policy since 1918. In reply to an inquiry of January 11, 1924, the bank made the following statement: "Am pleased to advise that it has been our policy since 1918 to extend preference in granting loans to those who are practicing diversified farming. As a matter of fact we refuse absolutely to make loans to straight grain growers, or croppers, as we call them. In all cases we require the applicant, before granting him a loan, to show diversification in his crops and he must also own enough live-stock of one or more kinds to satisfy us that from that source he will derive income enough to support his family, pay the taxes on his property and meet the amortization payments on our mortgage. "I might say in conclusion that this policy when first adopted caused considerable adverse criticism but now all are agreed that it is a wise policy."

Yet it might be asked, is not this capitalization of land with its accompanying phenomenon of a huge increase in mortgage indebtedness a detriment to farming as an industry? [This, it seems, we must deny, for on the contrary this system is only giving the agriculturist the same privilege to work on borrowed capital that his fellow citizens in the industries enjoy, but with this difference, that the farmer is better security in so far as he is possessed of a desire to buy out his bondholders and acquire sole title to his establishment. It must not be overlooked that farming under this system is an industry and not "a kind of life" that the more shiftless fall into.

Thus far it seems fair to draw the conclusion that the farmer from force of circumstances is gradually being forced to consider his enterprise an industry. In doing so he is being forced to seek out methods which will insure him a regular income of a minimum amount sufficient to meet his fixed charges. The quest for such methods has led to diversification and intensive farming as opposed to cropping methods. But if the farmer is to be an industrialist and if he will be forced to rely on borrowed capital to supply him with a plant, it is not beyond our sphere of inquiry to investigate whether or not he has need for those other attributes of business such as short term credit and specialized marketing forces.

Under the cropping system in North Dakota short term credit has been used to carry the farmer from the planting to the harvesting season and therefore was an accommodation credit rather than an advance on marketable produce. For this reason this form of credit was advanced more as a gamble upon the bounty of the season than as a means to hold the crop for a favorable price. Loans were made in the spring and came due immediately after harvest with the effect of forcing the borrowers to dispose of their crops at a time when the market was glutted. This the farmer was disposed to do because of the high rate of interest charged for such accommodations. The interest rate in this case was fixed by the risk

involved in advancing funds against weather conditions rather than against conservatively hedged produce.

Other forms of short term credit were based upon similar considerations. The grocery bill was contracted upon the expectation of favorable returns sometime in the future. The risk was therefore discounted in the seemingly higher prices. The same is true for money lent on chattel mortgages upon cattle and other stock. The loans thus secured were not to be used for the improvement of the herd but were a direct liability of the single crop and therefore the interest rate naturally reflected the hazards a single crop is subject to in a semi-arid region. When the short term credit is viewed in this light it seems that it has adapted itself admirably to existing conditions. The wonder is not that the interest rates are high but that they are not higher.

Bearing in mind that the seemingly abnormal interest rates in North Dakota are due not to any agreements tacit or otherwise on the part of those having control of the Nation's funds but are due to the hazards to which the growing crops are subjected, we shall pass to the consideration of the effects of the Federal Agricultural Credits Act of 1923.⁹ This legislation came because of a demand on the part of the croppers of the country for cheaper credits and was echoed in Congress by politicians seeking to make political capital out of a catastrophe. Thanks, however, to those endowed with a more analytical vision, the move for cheap credits based upon conjectural yields was blocked, and those forces were victorious which recognized the true needs of the farmer for a system whereby he might be able to use his actual products rather than his probable products as a basis for credit. The act therefore is a product of those forces representing on the one hand the cooperative organizations, who being unable to secure sufficient credit because of the opposition of certain classes of middlemen, were forced to resort to rather roundabout methods, and on the other hand, to the large financial

⁹ Federal Agricultural Credits Act, 67th Cong., 4th sess., Stat. L., Chap. cclii.

interests of the country who had recognized the gravity of the situation.

The act in itself is unique in that it seems to differentiate between credit advanced to carry on agricultural activities and that credit which is necessary to permit the farmer to hold his products for a favorable market.¹⁰ This, in fact, is the substance of the entire act which seems to have been enacted entirely for the purpose of enabling the farmer to market his produce leisurely rather than to assist him to produce more.

Thus we see that, whereas the Federal Farm Loan Act was devised to raise agriculture to a place of importance among the prime industries of the country, the Agricultural Credits Act has furnished the means whereby its products might be marketed by those methods made use of by other industries. The act is thus in harmony with the changing system of farming, and seemingly marks an advance in the production of agricultural products from that of a gamble upon the eccentric generosity of nature to the businesslike calculation of the minimum and average ability of the soil to produce.

So far we have considered but two factors in modern farming, that is, production and finance. These two, it seems possible to assert, can now be changed so that the farmer can both assume the risk of production, in that he must wait for his crop before he is able to secure a loan upon it, and attempt to reduce that risk by means of an intensive and diversified agriculture. He may now become a farmer, not a cropper, an industrialist and not a gambler.

With this change both in the character of the individual and the industry, it is but natural that the producer should seek to control the third factor, that of marketing, and thus market his produce so as to secure the greatest return. This

¹⁰ Thus the Federal Intermediate Credit Banks and the Federal Reserve Banks may make loans which are to be secured by warehouse receipts for nonperishable agricultural products or by chattel mortgages on live-stock fattening for the market (*ibid.*; Intermediate Credit Banks, Sec. 202, No. 5; Sec. 210; National Agricultural Credit Corporations, Sec. 203, part C; Sec. 207; Federal Reserve Act Amended, Sec. 402; 13a).

would lead him to employ that marketing system ready at hand.

We have noted in the previous chapters the steady rise of cooperative elevator associations, their gradual increase in numbers, and the attempt on the part of the Equity Cooperative Exchange to gather them into a single unit for the purpose of eliminating any inefficiency in sales. We have seen, too, how the private exchanges fought this movement and prevented the entrance of these and similar organizations to their floors. We have noted also the action of the Minnesota and Federal Legislatures upon this matter. The way now seems to be cleared for the cooperative marketing of farm products upon the organized exchanges of the country. The farmer, like any other industrialist, may now organize, finance and sell his products cooperatively.

Thus the farmer, after half a century both of endeavor and agitation may proceed, unhampered by legal and unfair trading restrictions, to market his goods. He has convinced the country, not by the assertion of the agitator or the political adventurer but by actual demonstration that the cooperative marketing idea is not a fantastic creation of the wheat croppers' mind but a necessary adjunct to farming as an industry. Yet in the mind of the farmer cooperative marketing is still an experiment but only in so far as he is seeking to evolve a most efficient system. For him his marketing agency must secure a regular return. He cannot afford to gamble on a wide spread in the value of his product. His agency must therefore seek to eliminate the seasonal fluctuations in the price of his crop and this, he recognizes, can only be done by a monopoly of his products, and that monopoly can only be obtained through cooperation in order that the market might be fed according to its needs and at a uniform monopoly price sufficient to assure the consumption of one crop before the other comes on the market. In this manner the farmer will be able to eliminate any risk due to sudden breaks in the market, and will only be forced to carry that hazard which is

directly connected with his industry and even this he will attempt to reduce by means of a well diversified agriculture.¹¹

This, then, is the story of the Agrarian Movement as it has been enacted in North Dakota. It has been a movement to control the markets of her chief products, first, by attempting to restore competition at country points, second, by local cooperative marketing, and finally by cooperation at the terminals which was at first impeded by a disastrous experiment in state ownership but which now seems to be about to triumph, due to the changing system of production brought about by the disappearance of free lands and the subsequent capitalization of land according to its ability to produce.

The whole movement is thus a division of labor upon the farm. It is the separation of the functions of production and sales and the specialization of both. It is the story of almost every large industry. The story of the producer exploited by the broker and consumer until he is forced to forego the convenience of a commission agent and take over the functions of that official as a permanent department of his establishment. This move first led to cooperation among competitors and finally to consolidation if not complete monopolization of production. In the same manner the farmer has been forced to dispense with the make-shift contrivances of the cropper, and by organizing and controlling his own sales force, enter the terminal markets for the purpose of protecting his own interests by feeding and not glutting those markets.

We come now to the consideration of those things which the North Dakota farmer produces for the market, and the question at once arises, can those products be marketed in such a manner that the present spread between scarcity and plenty

¹¹ It is interesting to note that even the wheat growers are now attempting to secure a monopoly of their product by cooperation. Thus they propose to make use of the tariff in order to obtain a monopoly in the United States and thus securing for themselves the benefit of a tariff differential, dump the surplus wheat on the world market. The plan, however, will need the rigid control of wheat acreage in order to make it a success. This latter hardly seems possible (Ray McClung, "Politics or Economics for the Grower," in *Barrons*, vol. iii, No. 37, Sept. 10, 1923).

will be somewhat eliminated? This involves the consideration of the products of the State and they may be divided into two classes, first small grains and second live-stock and dairy products.

At present small grains, notably hard spring wheat, are the prime product of the farm. Over the whole State and noticeably in the southeastern section, however, corn and hogs have become items of importance. Cattle, too both for beef and dairy purposes, have increased fourfold since 1895 and have doubled in number since 1913.¹²

Since live-stock and wheat are products whose values are determined by world production and consumption rather than by local or even national conditions, the duty of the marketing agency will therefore be twofold: financial and educational. It must insure itself against a further drop in price, both by means of a conservative system of hedging and an endeavor to feed the market gradually. Toward the producer the marketing agency must stand ready both to buy at a cash price and to make advances to those who desire to withhold their products in order to take advantage of an anticipated rise in value. The marketing agency must, in the matter of wheat and meat products, recognize its limitations and therefore forego any speculative attempts to control the market. It must bear in mind the fact that it is handling a world commodity subject to world conditions and is not the possessor of a monopoly of a single product that can be profitably raised only over a limited area.

This sales agency must, therefore, pay special attention to its second duty, that of the education of its members to the functions and value of its marketing machinery. This, it appears, the cooperative is able to perform successfully, if we may judge from the results obtained by the Canadian, Russian and German institutions. For these concerns, unlike their private predecessors, there is no object in concealing their methods of doing business and in times of stress putting on that false appearance of prosperity which breeds distrust in

¹² See Plates XII-XIV.

PLATE XII

Number
of animals
(000 omitted)

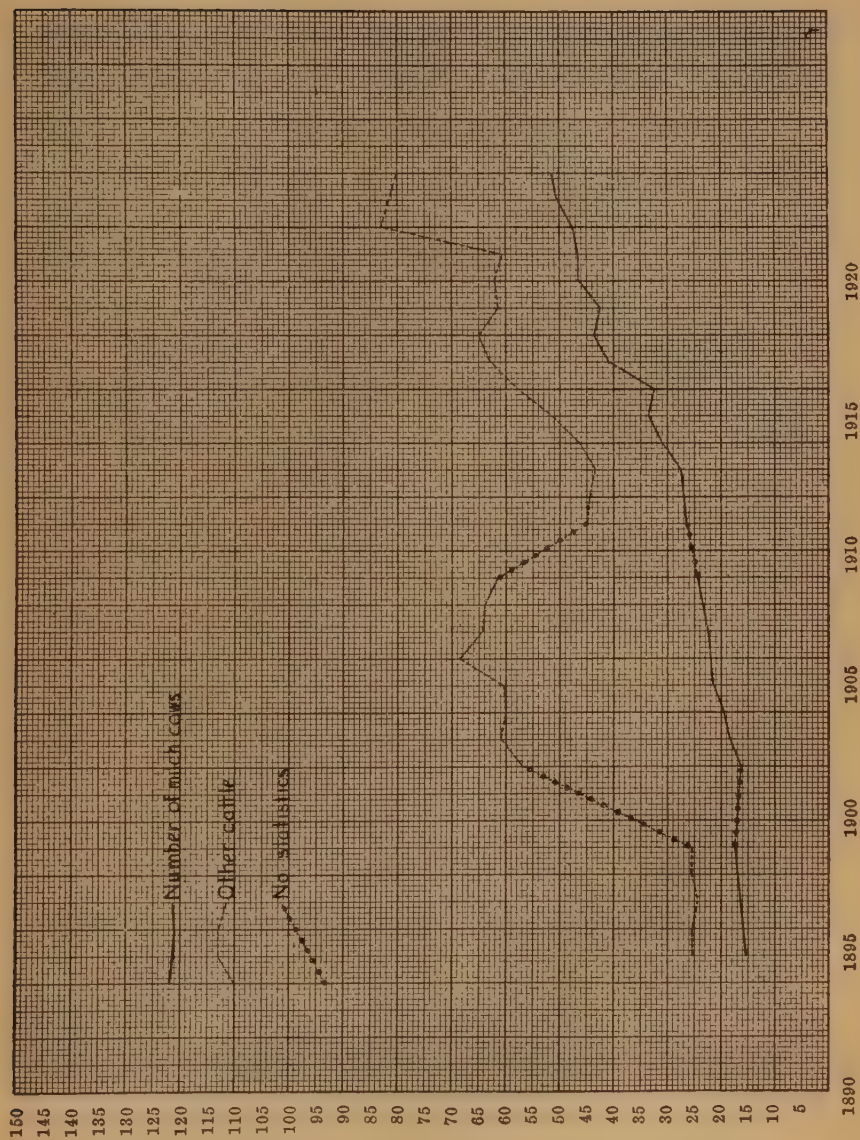


PLATE XIII

Number
of animals
(000 omitted)

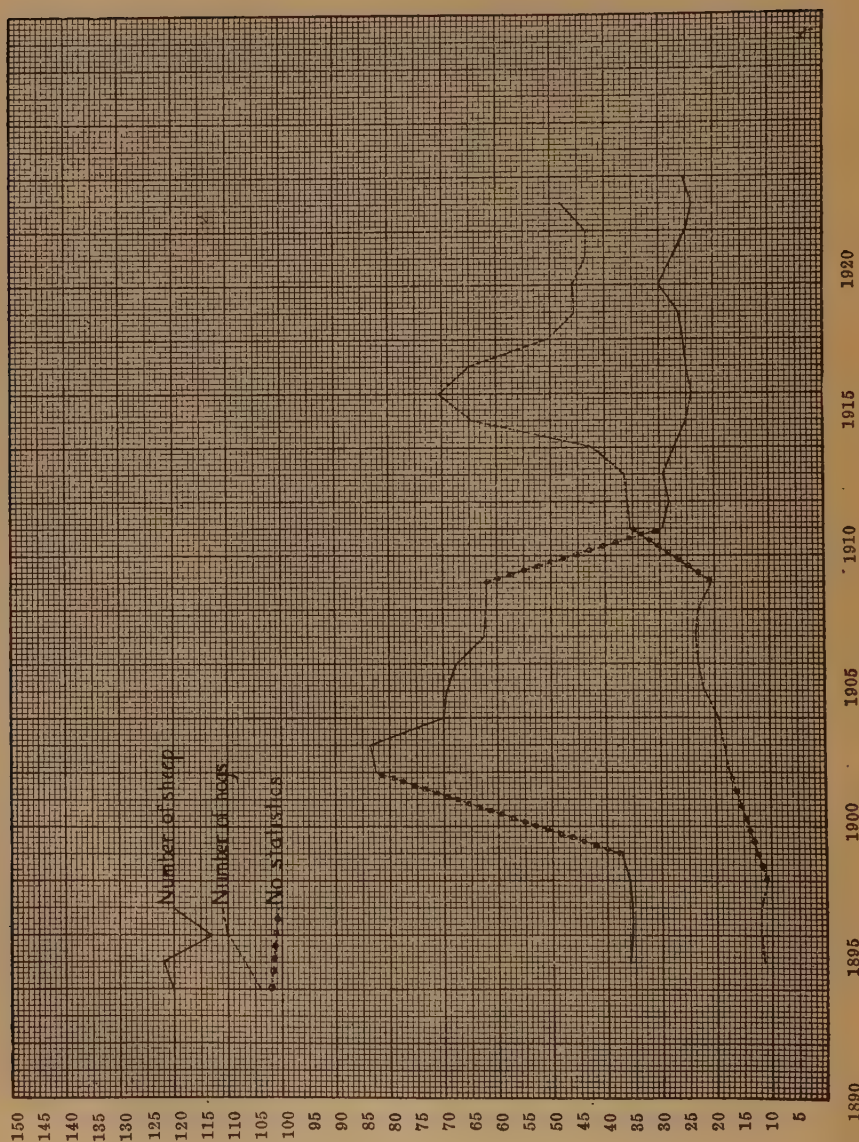
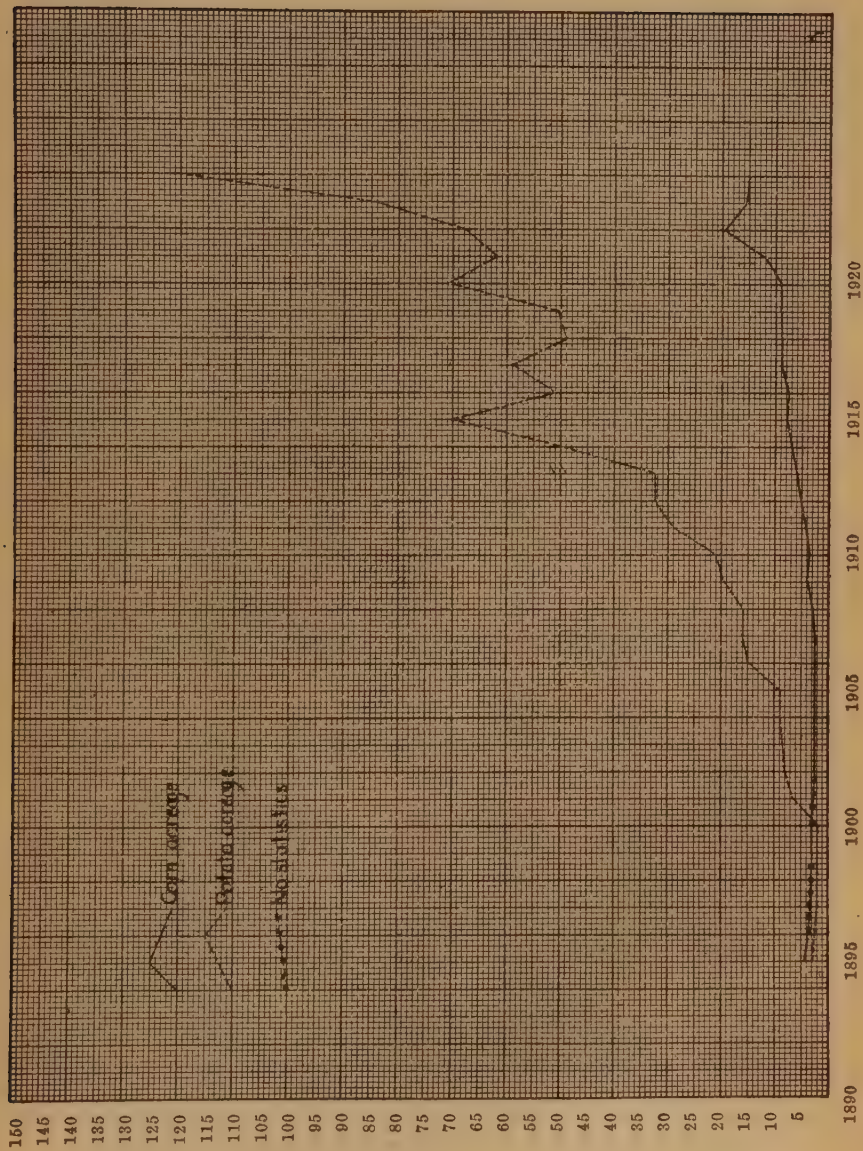


PLATE XIV

Acres
(000 omitted)



the minds of its patrons. They must, like the Grain Growers' Grain Company and the Russian Centrosyus, educate their members through the medium of their affiliated organizations to appreciate and value correctly those established methods of business and business establishments which their marketing agency makes use of. Thus their activities must be above board and fair and their members must be taught the whole truth of the function of a marketing agency in order that an enlightened and reasoning membership unembittered by the half-truths of prejudice and jealousy may move on to the construction of a better and more efficient machine. This, it seems, can be done and has already been done in those districts where farming has been made an industry.

The value of such an organ, it seems, is not in its ability to reduce handling costs considerably. A difference of even five cents a bushel for wheat—and this would be a large increase—would not amount to much to the farmer whose average annual production of that commodity is but twelve hundred and fifty bushels. Should the cooperative be able to accomplish such a feat—and it seems that it cannot—what will be the benefit of such an organization?¹³ It seems that that benefit will be an ethical rather than an economic one.

It is not possible to doubt that the cooperative will attempt to justify itself economically with its patrons. We can even go further and maintain that the membership will be persuaded that theirs is an economic gain. We should bear in mind however, the origin of the Agrarian Movement; we should not lose sight of the fact that the problem, though it centered around the marketing of produce, arose because of the distrust of the farmer for his agent both at country points and at the terminal; we should not overlook the fact that, although at times this distrust of the producers was founded upon fact, yet the ease with which one could engage in the grain trade and the resulting intense competition has so lowered the margin of profit that it does not seem that any appreciable re-

¹³ See the Report of the Federal Trade Commission on the Grain Trade, Summary.

duction in handling costs can be reasonably expected. The great gain, if there is to be a gain, must therefore be an ethical one and must come from the elimination of that discontent that has sprung from the suspicion that another is gaining at the farmer's expense. The movement, it seems fair to predict, has, because of the changing methods of the farmer, a reasonable chance to eliminate that discontent that has been the butt of all political activity in the Western States since the Civil War. Such a movement, it seems, will be able to restore that equilibrium in the affairs of the Nation which was destroyed by specialization and consolidation in the manufacturing industries, and which the Agrarians so often attempted to restore by statute and enlarged governmental activity. Thus this change in the methods of farming seems to mark the close of a period of expansion on the part of Government activities and the beginning of a period in which the Government will be gradually relegated to its true function of arbiter and protector in private rights.

Where the cooperative controls the market there is no need for state inspection and regulation. The buyer and seller can again meet on equal footing and bid in on lots as they see them. We will have again a system of personal marketing, once so dear to the agriculturist, but with the difference that the agriculturist has become a specialist in production and leaves to a salaried representative, whom he both controls and trusts, the duty of obtaining for him a fair market price. This, it seems, will eliminate the Government from that sphere of activity in industrial relations for which the politician has no training.

That there should be opposition to this movement is of course natural. In fact the movement would be despaired of, had there been little or no evidence of hostility. To-day the middlemen are still strong, and, possessed of ample resources but enlightened producers, organized intelligently, and testing their organization by the strength of the opposing forces, they will find their association thus tried in a most bitter strife, better tempered and far stronger. Opposition, in a demo-

cracy, does not destroy a legitimate movement, but fits it for better service for the period in which it will be of use. This has continually been the case in the Agrarian Movement. The local cooperative elevator movement was born to a most bitter struggle, but to-day those associations control over fifty per cent of the country grain trade. The opposition in its success in destroying the Non-Partisan League has performed an inestimable service in that it has demonstrated that state activity is not practical. Had the plan been feasible the movement could not have been destroyed. So the obstacles placed in the way of cooperative marketing are a boon to the cause in that if cooperation triumphs, it is strengthened proportionately, if it fails, the futility of the movement is demonstrated.

One feature of the movement that deserves consideration and which seems to point to its eventual success is the source of its leaders. In all the successful cooperatives these men have come from the sales forces centered at the terminals. A large number of them have first gone down to failure in private enterprise, yet profiting by their failures, they have sought to regain their former position through the aid furnished by such a movement. The agrarian discontent has always been connected in some way with the interplay of competitive forces at the terminals which have in times of scarcity changed their field of operation from the central markets to the tributary territory.¹⁴

Thus the Agrarian Movement, which came into existence through a division of labor first applied to industry, is disappearing through the industrialization of agriculture. Thus agriculture, in passing through those three phases which, as we first pointed out, other industries have passed through, will adapt itself to conditions as they are; its members, thus protecting the institution of private property and its system of

¹⁴ The origin of these several agitations seem to coincide with the rain cycles and crop yields in North Dakota. They thus appear in 1887, 1895, 1903, 1911, and 1920, see Plate V: H. L. Moore, "Forecasting the Crops of the Dakotas," in *Political Science Quarterly*, vol. xxxv, No. 2, June 1920, Fig. 4, p. 222.

reward for individual industry, will no longer look upon the Government as an agency with which to curb other forms of industry and thus bring back the "good old days," but will, by the application of industrial methods, so long despised and ignored, seek to work out its destiny along industrial lines.

APPENDICES

APPENDIX I

TABLE SHOWING RATIOS OF ACREAGE TO HORSES, VALUE OF WHEAT PRODUCED
PER HORSE, YIELD OF WHEAT, AND FARM PRICE OF WHEAT, 1890-1923

Year	Ratio of Cultivated Land to Horses in Acres	Ratio of Land Sown to Wheat to Horses in Acres	Value of Wheat per Horse in dollars	Five Year Average of Value of Wheat per Horse	Yield per Acre for Wheat ^c	Farm Price of Wheat Dec. 1 ^c
1890	18.5	18.6	125.00	b 125.00	a 9.6	a .70
1891	29.7	19.5	243.00	b 184.00	a 17.8	a .70
1892	24.9	17.6	110.88	b 159.00	a 12.2	a .52
1893	23.4	15.9	152.64	b 158.00	a 9.6	a .43
1894	20.2	12.9	65.40	139.00	a 11.8	a .43
1895	21.6	12.9	102.94	138.00	21.0	.38
1896	28.9	14.2	107.21	107.00	11.8	.64
1897	29.3	16.8	128.01	111.00	10.3	.74
1898	30.6	21.9	160.74	113.00	14.4	.51
1899	31.3	22.2	133.87	127.00	12.8	.51
1900	26.9	14.3	60.61	118.00	4.9	.59
1901	24.3	15.4	119.00	119.00	13.1	.54
1902	19.8	10.9	90.50	111.00	15.9	.58
1903	19.5	11.9	95.20	98.00	12.7	.63
1904	20.6	12.1	115.68	94.00	11.8	.81
1905	20.8	13.5	140.41	110.00	14.0	.69
1906	16.1	13.6	111.38	111.00	13.0	.63
1907	15.8	9.3	80.91	109.00	10.0	.87
1908	15.3	9.4	100.30	110.00	11.6	.92
1909	17.1	9.7	127.65	112.00	13.7	.92
1910	19.8	10.0	45.00	113.00	5.0	.90
1911	21.3	13.4	95.41	90.00	8.0	.89
1912	21.0	11.4	141.59	102.00	18.0	.69
1913	18.9	14.3	109.54	104.00	10.5	.73
1914	19.9	9.6	108.58	100.00	11.2	1.01
1915	20.4	10.5	166.22	124.00	18.2	.87
1916	18.2	8.8	73.57	121.00	5.5	1.52
1917	18.6	8.4	134.40	119.00	8.0	2.00
1918	21.0	9.1	240.15	145.00	13.0	2.03
1919	19.6	9.0	149.67	153.00	6.9	2.41
1920	24.0	9.1	106.47	141.00	9.0	1.30
1921	16.1	10.9	76.95	141.00	8.3	.85
1922	22.3	10.6	140.22	143.00	14.7	.90
1923	17.6	10.4	73.41	109.00	8.2	.86

a Reports of the Commissioner of Agriculture and Labor.

b Cumulative average.

c Year Book, Department of Agriculture.

APPENDIX II

TABLE SHOWING TOTAL NUMBER OF ACRES OF CULTIVATED LAND, ACRES IN
WHEAT, ACRES IN CORN, ACRES IN POTATOES, 1890-1924
(000 Omitted)

Year	Cultivated Land	Acres in Wheat ^b	Acres in Corn ^b	Acres in Potatoes ^b
1891	4,217	2,847		
1892	4,051	2,878		
1890	2,597 a	2,616 a	18 a	
1893	4,313	2,902 a		
1894	4,520	2,905 a		
1895	4,844	2,908	31	41
1896	5,025	2,530	28	32
1897	5,660	2,753	25	
1898	5,587	3,865	24	
1899	5,877	4,044	24	30
1900	6,662	2,689	24	30
1901	7,127	4,528	67	
1902	7,253	3,954	83	24
1903	7,363	4,350	86	24
1904	8,260	4,567	90	25
1905	9,156	5,402	89	25
1906	9,495	5,992	150	25
1907	9,890	5,513	154	27
1908	10,509	5,899	162	30
1909	12,348	6,625	195	40
1910	13,421	7,221	214	35
1911	14,502	9,150	290	42
1912	14,693	7,990	328	52
1913	15,409	7,510	375	60
1914	15,112	7,285	500	70
1915	16,229	8,350	700	80
1916	14,756	7,150	510	75
1917	15,536	7,000	590	90
1918	17,928	7,770	484	90
1919	18,790	8,916	432	83
1920	16,922	7,770	508	90
1921	18,130 b	7,600	711	90
1922	18,537 b	8,827	620	120
1923	18,667 b	8,121	642	158
1924		7,436	1,221	153

a Biennial report of the Commissioner of Agriculture and Labor.

b Yearbook of the Department of Agriculture.

APPENDIX III

TABLE SHOWING PERCENTAGE OF CULTIVATED LAND IN WHEAT AND
IN CORN AND POTATOES, 1890-1923

Year	Per cent. Cultivated Land in Wheat	Per cent. Cultivated Land in Corn and Potatoes
1890		
1891	67	
1892	71	
1893	67	
1894	64	
1895	60	1.3
1896	50	1.1
1897	53	
1898	69	
1899	68	.7
1900	40	.7
1901	63	
1902	54	1.6
1903	59	1.5
1904	55	1.4
1905	59	1.1
1906	63	1.8
1907	55	1.8
1908	56	1.9
1909	54	1.9
1910	55	1.8
1911	63	2.1
1912	54	2.4
1913	49	2.9
1914	49	3.7
1915	51	5.0
1916	48	4.0
1917	45	4.2
1918	43	3.4
1919	45	3.5
1920	44	4.3
1921	48	4.1
1922	44	4.5
1923	43	5.3

APPENDIX IV

TABLE SHOWING NUMBER OF LIVE-STOCK

(000 Omitted)

Year	Mules and Horses ^a	Milch Cows ^a	Other Cattle ^a	Hogs ^a	Sheep ^a
1890	140 b				
1891	142 b				
1892	163 b				
1893	184 b				
1894	224 b				
1895	178	157	256	118	360
1896	174	161	256	120	356
1897	177	168	245	119	353
1898	182	171	253	112	360
1899	187	176	255		374
1900	246				
1901	339				
1902	366	167	571	175	828
1903	377	183	611	184	836
1904	395	194	599	192	702
1905	439	214	605	220	695
1906	589	220	683	231	674
1907	624	224	642	233	627
1908	686	235	642	226	621
1909	720	247	616	206	621
1910	659				
1911	679	267	451	352	293
1912	699	272	446	359	287
1913	720	277	437		
1914	756	305	468	428	278
1915	793	339	515	642	250
1916	810	373	577	706	240
1917	835	410	629	650	250
1918	851	424	650	507	252
1919	859	429	612	456	265
1920	834	464	617	458	299
1921	805	464	604	431	272
1922	821	479	831	435	250
1923	805	503	814	478	240
1924	789	533	806		254

^a Department of Agriculture Year Book.^b Reports of the Commissioner of Agriculture and Labor.

APPENDIX V

ACTIVITY OF THE MINNEAPOLIS FLOUR MILLS, 1880-1923 ^a

Year	Output in Barrels (000 omitted)	Per cent. of Output Exported	Per cent. of Equipment in Operation
1880	2,052	39.0	
1881	3,143	37.6	
1882	3,176	37.8	
1883	4,046	33.1	
1884	5,318	33.2	
1885	5,221	35.1	
1886	6,168	37.1	
1887	6,574	40.3	
1888	7,057	33.1	
1889	6,089	32.1	
1890	6,989	30.1	
1891	7,878	38.5	
1892	9,750	34.2	
1893	9,378	30.7	
1894	9,401	25.2	
1895	10,582	29.1	
1896	12,875	28.8	
1897	13,635	29.1	
1898	14,233	28.5	
1899	14,292	28.1	
1900	15,063	31.1	
1901	15,922	21.3	
1902	16,330	21.0	
1903	15,582	19.8	
1904	13,653	12.8	
1905	14,366	15.2	
1906	13,826	17.5	
1907	13,660	17.2	
1908	13,695	15.4	
1909	14,867	11.1	
1910	15,376	8.6	67
1911	15,795	7.2	69
1912	17,032	6.7	74
1913	17,674	10.0	77
1914	17,769	10.5	77
1915	18,089	8.1	77
1916	18,543	7.6	70
1917	17,611	6.2	66
1918	14,414	9.3	55
1919	17,501	6.3	64
1920	15,003	5.8	55
1921	14,872	6.8	54
1922	15,643	4.2	54
1923	13,488	.6	46

^a The Millers' Almanac, 1924.

APPENDIX VI

TABLE SHOWING NUMBER OF PLATFORMS AND COOPERATIVE
ELEVATORS, 1890-1923 ^a

Year	Platforms	Elevators
1890		
1891		10
1892	38	11
1893	147	2
1894	185	
1895	235	6
1896	228 ^b	5
1897	250	3
1898	263	4
1899	274	5
1900	293 ^c	4
1901		8
1902		13
1903		
1904		13
1905		41
1906		
1907		146
1908		
1909		190 ^d
1910		
1911		212
1912		
1913		424
1914		
1915		446
1916		
1917		520
1918		
1919		564
1920		
1921		621
1922		
1923		409 ^e

^a From Reports of the Railroad Commissioners.

^b Inaccurate returns.

^c After this date the railroads began building platforms as a part of their regular equipment and without waiting for a petition.

^d Estimated.

^e Due to agricultural depression of 1920.

APPENDIX VII

TABLE SHOWING CENSUS DATA FOR THE STATE OF NORTH DAKOTA, 1890-1920

Year	1890	1900	1910	1920
Number of farms.....	27,611	45,322	74,360	77,690
Number of farms 100-174 acres	25,162 a	18,471	23,003	11,490
Per cent of total number of farms which are of 100-174 acres	91.5 a	40.8	30.9	14.8
Number of farms 275-499 acres		15,813	34,393 b	36,489
Per cent. of total number of farms which are of 275-499 acres		32.4	46.3	46.9
Number of farms 500-999 acres			12,662	18,442
Size of average farm in acres.	277	432.9	382.3	466.1
Number of improved acres in average farm.....	169.8	212.8	275.1	316.2
Average value per acre.....	\$9.00 c	\$11.15	\$25.69	\$35.33
Total farm mortgage debt (000 omitted).....			\$47,842	\$108,285
Value of collateral (000 omitted)			\$213,643	\$380,133

a This includes farms from 100-500 acres in extent.

b This includes farms from 175-500 acres in extent.

c Estimated.

APPENDIX VIII

TABLE SHOWING SHIPMENTS TO AND FROM DULUTH, CROP YEARS, 1897-1905 ^a
(000 Omitted)

Crop Year	Bushels No. 1 Hard		Bushels No. 1 Northern		Bushels No. 2 Northern		Bushels No. 3 Spring		Bushels Rejected		Bushels No grade	
	Received	Shipped	Received	Shipped	Received	Shipped	Received	Shipped	Received	Shipped	Received	Shipped
1897	5,626	6,397	30,015	25,429	6,637	5,100	1,119	794	328	190	735	306
1898	3,476	3,347	19,851	19,580	4,003	3,947	1,633	1,743	193	151	91	78
1899	3,985	3,812	46,425	41,239	19,916	13,754	2,892	1,435	1,478	249	3,528	1,555
1900	8,643	8,023	30,305	25,988	8,779	6,807	1,642	954	520	284	608	180
1901	280	928	8,675	13,342	2,898	3,049	333	379	78	121	202	294
1902	600	649	15,187	19,886	19,693	15,179	7,035	1,971	892	95	2,562	469
1903	1,629	1,747	21,906	23,607	11,625	7,638	1,301	298	1,890	78	966	113
1904	91	110	12,402	18,218	10,295	6,724	2,616	283	2,352	314	2,587	257
1905	422	36	7,332	10,063	6,386	7,154	4,854 ^c	3,187	4,464	939	703	161

^a Reports of the State Weigh-master at Duluth to the Railroad and Warehouse Commission. Crop year extends from Sept. 1-Aug. 31.

^b 1898 gives the net receipts and shipments; others *not* noted include wheat in store.

^c This year an additional grade was added, namely, No. 4 Spring. In this table this grade is included with the rejected. There were receipts of No. 4 Spring 3,111,700 bu. and shipments 375,317 bu. Thus the major part of the low grade wheat went into No. 4 Spring.

APPENDIX IX

TABLE SHOWING TAXES PER CAPITA IN THE STATE OF NORTH
DAKOTA, 1890-1923

Year	Total per Capita Taxes	School Taxes	State Taxes
1890	11.94	4.61	2.10
1891	11.85	4.53	2.02
1892	10.39	4.07	2.23
1893	10.49	3.63	1.62
1894	10.32	3.61	1.59
1895	11.03	3.79	1.69
1896	10.24	3.82	1.47
1897	10.11	3.81	1.40
1898	9.78	3.42	1.58
1899	9.96	3.60	1.56
1900	10.30	3.86	1.64
1901	11.92	4.17	2.49
1902	11.31	4.08	2.00
1903	12.26	4.62	2.06
1904	13.14	5.11	2.06
1905	13.89	5.55	2.09
1906	14.65	6.01	2.23
1907	15.38	6.23	2.18
1908	15.81	6.59	2.27
1909	17.20	7.12	2.51
1910	16.07	6.75	2.10
1911	16.39	7.45	2.15
1912	18.77	8.13	2.15
1913	19.34	8.34	2.22
1914	21.47	8.20	2.12
1915	24.10	9.05	2.57
1916	24.81	9.35	2.20
1917	28.12	10.41	2.61
1918	31.69	12.30	2.75
1919	43.98	17.41	5.81
1920	46.22	20.09	4.42 ^b
1921	48.43	21.57	7.18
1922	46.72	21.29	7.32

^a From reports of the North Dakota tax commissioner. The total tax exclusive of city and village special assessment was \$173,058,-055.00 for the years 1890-1916 inclusive. From 1917-1921 inclusive the same taxes equaled \$127,971,485.00.

^b Due to special legislative cut of 25 per cent.

APPENDIX X

TABLE SHOWING VOTES FOR CANDIDATES IN NORTH DAKOTA, 1889-1922

FOR GOVERNOR				FOR PRESIDENT		
Year	Candidate	Party	Vote	Candidate	Party	Vote
1889	Miller	Rep.	25,365			
	Roach	Dem.	12,733			
1890	Burke	Rep.	19,053			
	Roach	Dem.	12,604			
1892	Burke	Rep.	17,236	Harrison	Rep.	17,519
	Shortridge (Fus.)	Pop.	18,995	Cleveland	Dem.	.....
				Weaver	Pop.	17,667
1894	Allen	Rep.	23,723			
	Kinter	Dem.	8,188			
	Wallace	Pop.	9,354			
1896	Bridge	Rep.	25,918	McKinley	Rep.	26,335
	Richardson (Fus.)	Pro.	20,690	Bryan	Dem.	20,686
1898	Fancher	Rep.	27,308			
	Holmes	Dem.	19,496			
1900	White	Rep.	34,052	McKinley	Rep.	35,898
	Whippleman	Dem.	22,275	Bryan	Dem.	20,531
				Debs	Soc.	518
1902	White	Rep.	31,613			
	Cronan	Dem.	17,576			
	Grant	Soc.	1,245			
1904	Sarles	Rep.	48,026	Roosevelt	Rep.	52,595
	Hegge	Dem.	16,744	Parker	Dem.	14,273
	Aaker	Pro.	1,388	Debs	Soc.	2,005
	Basset	Soc.	1,760			
1906	Sarles	Rep.	29,309			
	Burke	Dem.	34,424			
	Dow	Soc.	978			
1908	Johnson	Rep.	46,849	Taft	Rep.	57,680
	Burke	Dem.	49,398	Bryan	Dem.	32,885
	L. F. Dow	Ind.	490	Debs	Soc.	2,424
1910	C. A. Johnson	Rep.	44,555			
	John Burke	Dem.	47,005			
	I. S. Lampman	Soc.	2,524			
1912	Hanna	Rep.	39,811	Taft	Rep.	23,090
	Hillstrom	Dem.	31,554	Wilson	Dem.	29,555
	Sweet	Pro.	9,406	Roosevelt	Prog.	25,726
	Bowen	Soc.	6,835	Debs	Soc.	6,966
1914	Hanna	Rep.	44,278			
	Hillstrom	Dem.	34,746			
	Aaker	Pro.	4,263			
	Williams	Soc.	6,019			
1916	Frazier	Rep.	87,665	Hughes	Rep.	53,471
	McArthur	Dem.	20,351	Wilson	Dem.	55,206
	Oscar A. Johnson	Soc.	2,615	Benson	Soc.	5,716
1918	Frazier	Rep.	54,517			
	S. J. Doyle	Dem.	36,733			
1920	Frazier	Rep.	117,118	Harding	Rep.	159,997
	O'Conner	Dem.	112,448	Cox	Dem.	37,442
				Debs	Soc.	8,283
1922	Lemke	Rep.	74,517			
	Nestos	Ind.	107,249			

APPENDIX XI

EXTRACT FROM REPORT OF RAILROAD COMMISSIONERS: THE ELEVATOR
AND WHEAT PROBLEM, PAGES 458-461, YEAR 1891

While the figures show that the bulk of the wheat shipped out up to date has been through the elevators, it also shows that the farmers are beginning to realize, and experience has demonstrated to them, that they can ship their own grain with greater profit and more satisfaction to themselves than by dealing with the elevators, and that it is only a question of time when the figures will be reversed, and the farmers will be the shippers instead of the elevators.

That we may have a better idea of the value of our wheat crop, Table No. 1 has been prepared, showing the price of wheat at Duluth and London upon corresponding dates, together with all costs for lake, canal, and ocean freights, insurance and elevator charges.

Taking the profits for the year 1891, with an abnormally large crop, estimated at 611,780,000 bushels, as against 357,112,000 bushels in 1885, the lowest wheat production in eleven years, we find the lowest profit of 12 $\frac{3}{4}$ cents per bushel to have been in April 1891, before navigation was opened in the lakes; and the highest 29 $\frac{1}{2}$ cents, in September 1891, this at a period when our farmers were first commencing to rush in their crop to market, while the average profit for the year was a fraction less than 19 cents per bushel. Bear in mind that this average of 19 cents per bushel profit is only to be added to this, and that additional profit comes in between the point where it is purchased from the actual producer and Duluth, between Duluth and London; and that there is still another profit as shown by the Table No. 2.

TABLE NO. 1

Date		Elevator Charges at Duluth	Freight—Duluth to New York	Insurance	Elevator Charges— N. Y. & London	Freight—N. Y. to London	Total Charges	Price Paid at Duluth	Total Cost at London	Price Paid at London	Profits
1884	Apr. 7	.01	.08	.01	.01½	.07	.18½	.93¼	1.11¾	1.28	°.16½
	May 5	.01	.07	.01	.01½	.05½	.16	1.05	1.21	1.25	°.04
	June 2	.01	.07	.01	.01½	.06½	.16½	1.01	1.17½	1.22	°.04½
	Sept. 1	.01	.07	.01	.01½	.05	.15½	.84	.99½	1.19	°.19½
	Oct. 6	.01	.07	.01	.01½	.08	.18½	.79½	.98	1.13	°.15
	Nov. 3	.01	.08	.01	.01½	.10½	.22	.73	.95	1.13	°.18
1885	May 23	.01	.07	.01	.01½	.08	.18½	.93½	1.12	....	....
	July	.01	.06½	.01	.01½	.07	.17	.90¾	1.07¾	....	....
	Aug.	.01	.06½	.01	.01½	.08	.18	.80½	.98½	....	....
	*Oct. 5	.01	.07	.01	.01½	.09	.19½	.90	1.09½	1.17	.07½
	Nov. 2	.01	.07	.01	.01½	.07	.17½	.90½	1.08	1.17	.09
1886	Apr. 5	.01	.07	.01	.01½	.07	.17½	.80	.97½	1.14	.16½
	May 3	.01	.06½	.01	.01½	.07½	.17½	.82¼	.99¾	1.14	.14¼
	June 7	.01	.06½	.01	.01½	.09	.19	.80¼	.99¼	1.08	.08¾
	Sept. 6	.01	.09	.01	.01½	.06	.18½	....	....	1.05	....
	Oct. 4	.01	.10	.01	.01½	.07	.20½	....	....	1.05	....
	Nov. 1	.01	.10	.01	.01½	.09	.22½	.73½	.96	1.05	.09
1888	June 4	.01	.06¾	.01	.01½	.03½	.13¾	.83½	.97¼	1.08	.10¾
	Sept. 3	.01	.08¾	.01	.01½	.11	.23¼	.84	1.07¼	1.26	.18¾
	Oct. 1	.01	.09	.01	.01½	.11	.23½	....	....	1.24½	....
	Nov. 5	.01	.09	.01	.01½	.11½	.24	1.23	1.47	1.35	\$.12
1889	Apr. 1	.01	.08½	.01	.01½	.06½	.18½	1.06½	1.25	1.38	.13
	May 6	.01	.07½	.01	.01½	.07	.18	.97¼	1.15¼	1.26	.10¾
	June 3	.01	.07½	.01	.01½	.08½	.19½	.91	1.10½	1.26	.15½
	Sept. 2	.01	.08½	.01	.01½	.10	.22	.80½	1.02½	x	x
	Oct. 7	.01	.09½	.01	.01½	.10½	.23½	.82½	1.06	1.08	.02
	Nov. 4	.01	.10¼	.01	.01½	.10	.23¾	.79½	1.03¼	1.08	.04¾
1890	Apr. 7	.01	.08¼	.01	.01½	.06	.18	.80	.98	1.11	.13
	May 5	.01	.07½	.01	.01½	.05½	.16½	.92¼	1.08¾	1.11	.02¼
	June 2	.01	.07	.01	.01½	.05	.15½	.92½	1.08	1.17	.09
	Sept. 1	.01	.07¼	.01	.01½	.04	.14¾	1.02½	1.17¼	1.21½	.04¼
	Oct. 6	.01	.07¾	.01	.01½	.04	.15¼	1.02¾	1.18	1.24½	.06½
	Nov. 3	.01	.08	.01	.01½	.02½	.14	1.03	1.17	1.24½	.07½
1891	Apr. 6	.01	.06½	.01	.01½	.04	.14	1.02¼	1.16¼	1.29	.12¾
	May 4	.01	.06	.01	.01½	.03	.12½	1.06	1.18½	1.38	.19½
	June 1	.01	.05½	.01	.01½	.06	.15	1.07½	1.22½	1.38	.15½
	Sept. 7	.01	.08½	.01	.01½	.09	.21½	.97	1.08½	1.38	.29¾
	Oct. 5	.01	.08½	.01	.01½	.11	.23	.97¼	1.20¼	1.38	.17¾
	Nov. 2	.01	.11½	.01	.01½	.13	.28	.94¾	1.22¾	1.38	.15¼

° Approximated, No. 1 hard upon the market.

* Establishment of No. 1 hard grade known in London as Duluth Grade or No. 1 hard.

§ Loss; a local spurt at Duluth.

x None in the market.

TABLE NO. 2

Date		Elevator Charges and Insurance at Grand Forks	Freight—Grand Forks to Duluth	Commission and Other Expenses	Total Expenses	Price Paid at Grand Forks	Total Cost at Duluth	Price at Duluth	Profits
1884	May 5	.01½	....	.01	....	....	....	1.05	....
	June 2	.01½	....	.01	....	....	....	1.01	....
	Sept. 1	.01½	13.8	.01	16.3	.63	79.3	.84	4.7
	Oct. 6	.01½	13.8	.01	16.3	.61	77.3	.79½	2.2
	Nov. 3	.01½	13.8	.01	16.3	.53	69.3	.73	3.7
1885	May 23	.01½	13.8	.01	16.3	.74	90.3	.93½	3.2
	July	.01½	13.8	.01	16.3	.72	88.3	.90¾	2.4
	Aug.	.01½	13.8	.01	16.3	.72	88.3	.90½	2.2
	Oct. 5	.01½	13.8	.01	16.3	.72	88.3	.90	1.7
	Nov. 2	.01½	13.8	.01	16.3	.71	87.3	.90½	3.2
1886	Apr. 5	.01½	13.8	.01	16.3	.64	80.3	.80	*.7
	May. 3	.01½	13.8	.01	16.3	.63	79.3	.82¼	3.0
	June 7	.01½	13.8	.01	16.3	.60	76.3	.80¼	4.0
	Sept. 6	.01½	13.8	.01	16.3	.60	76.3	....	....
	Oct. 4	.01½	13.8	.01	16.3	.55	71.3	....	....
	Nov. 1	.01½	13.8	.01	16.3	.55	71.3	.73½	2.2
1888	June 4	.01½	11.4	.01	13.9	.68	81.9	.83½	1.6
	Sept. 3	.01½	11.4	.01	13.9	.79	92.9	....	....
	Oct. 1	.01½	11.4	.01	13.9	.94	107.9	....	....
	Nov. 5	.01½	11.4	.01	13.9	1.02	115.9	1.23	7.1
1889	Apr. 1	.01½	11.4	.01	13.9	.87	100.9	1.06½	5.6
	May 6	.01½	11.4	.01	13.9	.77	90.9	.87¼	6.1
	June 3	.01½	11.4	.01	13.9	.71	84.9	.91	6.1
	Sept. 2	.01½	10.8	.01	13.5	.63	76.5	.80½	4.0
	Oct. 7	.01½	10.8	.01	13.5	.65	78.5	.82½	4.0
	Nov. 4	.01½	10.8	.01	13.5	.63	76.5	.79½	3.0
1890	Apr. 7	.01½	10.8	.01	13.5	.64	77.5	.80	2.5
	May 5	.01½	10.8	.01	13.5	.76	89.5	.92½	3.0
	June 2	.01½	10.8	.01	13.5	.74	87.5	.92½	5.0
	Sept. 1	.01½	10.8	.01	13.5	.89	102.5	1.02½	....
	Oct. 6	.01½	10.8	.01	13.5	.84	97.5	1.02¾	5.2
	Nov. 3	.01½	10.8	.01	13.5	.87	100.5	1.03	2.5
1891	Apr. 6	.01½	10.8	.01	13.5	.88	102.5	1.02½	....
	May 4	.01½	10.8	.01	13.5	.91	104.5	1.06	1.5
	June 1	.01½	10.8	.01	13.5	.89	102.5	1.07½	5.0
	Sept. 7	.01½	10.8	.01	13.5	.81	94.5	.97	2.5
	Oct. 3	.01½	10.8	.01	13.5	.81	94.5	.97¼	3.0
	Nov. 2	.01½	10.8	.01	13.5	.77	90.5	.94¾	4.3

* Loss.

In the above table we have taken Grand Forks as the initial point, which is favorable to the dealer, from the fact that Grand Forks is a good wheat market, owing to the railroad facilities and milling competition; consequently it is reasonable to suppose that prices

range higher here and profits would be less to the dealer than in the interior stations, where there are no such facilities or competition.

By adding the profits in table No. 2 to those in table No. 1, we have the result of the gross profit as shown in the following:

TABLE NO. 3

Date		Profits at Duluth	Profits at London	Total Profits	Date		Profits at Duluth	Profits at London	Total Profits
1884	Apr. 7	....	.16½	....	1888	Nov. 5	7.1	.12	19.1
	May 5	....	.04	....	1889	Apr. 1	5.6	.13	18.6
	June 2	....	.04½	....		May 6	6.1	.10¾	16.9
	Sept. 1	4.7	.19½	24.2		June 3	6.1	.15½	21.6
	Oct. 6	2.2	.15	17.2		Sept. 2	4.0	....	....
	Nov. 3	3.7	.18	21.7		Oct. 7	4.0	.02	6.0
1885	May 23	3.2	....	....		Nov. 4	3.0	.04¾	7.8
	July	2.4	....	....	1890	Apr. 7	2.5	.13	15.5
	Aug.	2.2	....	....		May 5	3.0	.02¼	5.3
	Oct. 5	1.7	.07½	9.2		June 2	5.0	.09	14.0
	Nov. 2	3.2	.09	12.2		Sept. 1	4.0	.04¼	8.3
1886	Apr. 5	0.7	.16½	15.8		Oct. 6	5.2	.06½	11.7
	May 3	3.0	.14½	17.5		Nov. 3	2.5	.09½	3.0
	June 7	4.0	.08¾	12.8	1891	Apr. 6	....	.12¾	....
	Sept. 6	....	....	....		May 4	1.5	.19½	21.0
	Oct. 4	....	....	....		June 1	5.0	.15½	20.5
	Nov. 1	2.2	.09	11.2		Sept. 7	2.5	.29¾	32.4
1888	June 4	8.6	.10¾	19.4		Oct. 3	3.0	.17¾	20.8
	Sept. 3	....	.18¾	....		Nov. 2	4.3	.15¼	19.5
	Oct. 1	....	....	....					

Profits between Grand Forks and Duluth, as shown by table No. 2, do not show up very large, so far as figures go, for the reason that elevator companies are under contract with the railroad companies to pay for wheat within 4 cents of the market price, with the freights added. It will also be seen that we have allowed double elevator charges at Duluth which would not come in upon through shipment, which would add another cent to the profit column in table No. 3. Then again the elevator purchasing from the farmer docks for dirt from three pounds to seven pounds per bushel, where one-half to one pound would cover the actual dirt; adding another profit of from 4 to 8 cents per bushel, an average of 6 cents; then the average farmer who sells to the elevator is lowered in the grade of his wheat to the amount of an additional 3 cents, and another 3 cents in false weights, so that there should be added to the profit column in tables 2 and 3 an additional 12 cents per bushel, or a grand average between Grand Forks and London of 30 cents per bushel profit to the dealer.

If there were competition between the several elevator companies doing business in this State, these profits would undoubtedly be reduced, and the farmers would receive the benefit. Take the stations along the line of the Great Northern Railway, where there are from three to five elevators, owned by as many different firms, there is no

competition whatever; in fact, as a rule there is but one man buying wheat at each station, the other elevators being practically closed, and when one elevator at the station is full, this buyer goes over and opens another elevator and commences buying and filling up that elevator, and so on. This state of affairs is the rule, and not an exception.

The question asked is: How is this state of affairs to be met? We answer, by legislative enactment if such a thing is possible; if not then the farmers—the grain growers—must organize and control their own products. True, the farmers have their Alliance—a worthy organization—but the trouble with the Alliance is that it allows itself to get switched off upon the sidetrack of impracticable ideas, that will take years to carry out, and losing sight of the main issue of how they are to secure the best return for their labor.

It is safe to say that of the 1891 crop the elevator companies will handle 30,000,000 bushels; a profit of 30 cents per bushel amount to \$9,000,000.00 loss to the grain grower.

An investment in a stock company of only 1 cent per bushel by the grain growers who have sold this 30,000,000 bushels of wheat to the elevator companies, would have created a fund of \$300,000.00. This fund would have erected an elevator at West Superior, with a capacity of 1,000,000 bushels, at a cost of \$180,000.00 and with the balance, or \$120,000.00 would have employed first class men to look after the business, one at West Superior, one at London or Liverpool, England, and the other at Edinburgh, Scotland, besides paying all expense of operating the elevator, inspection, etc., and have still remaining in the treasury a handsome sum, and the growers would have saved to themselves the balance of the nine million dollars, or \$8,700,000.00.

This is the most practical solution of this problem. It is not a new undertaking or idea. The Millers' Association of this State are organized and do their business practically in this manner. The grain grower would receive his money upon his shipment as soon as it was billed upon a draft drawn upon the foreign agent.

This entire subject has been outlined to Hon. E. D. C. Shortridge, President of the Farmers' Alliance of the State, who has fully investigated the same, and who is in accord with the views of this Board. We will therefore not enter into further details. However, we will be pleased at any time to give the farmers all information and assistance at our disposal.

In the matter of grain grades and inspection, we are in favor of placing this matter in the hands of the general government and under control of inspectors appointed by the general government, believing this system would give us a more uniform and better system of grading.

REPORT OF THE RAILROAD COMMISSIONERS: REPORT OF COMMISSIONER
WALSH. PAGE 303 ff. YEAR 1891.

Grand Forks, N. D.

Dec. 15, 1891.

To the Board:

I take pleasure in submitting the following report of my action in relation to the discriminating order of Supt. Jenks, of the Great

Northern Railway, in the furnishing of cars to buyers and shippers of grain.

The question was brought to my attention by the receipt of the following communication, which I herewith quote in full:

Penn, N. D.
Nov. 26, 1891.

Hon. Geo. H. Walsh, Grand Forks, N. D.

Dear Sir:

I have been buying wheat on track at this station. The superintendent of the Dakota division at Larimore has given their agent at Grand Harbor orders not to give me cars to ship my wheat in from this place. I have loaded promptly, and the Great Northern Railway has no excuse on their part for such a special order—discriminating against me, a shipper, and not giving me cars. I have 10,000 bushels to ship of my own crop, and I desire your honorable Board of Railway Commissioners to investigate this matter. I have bought a few loads to fill out car to capacity and aim in prompt loading. The elevator gets cars, and things are rather "rank" when it comes to the point that a common carrier shall discriminate in this manner against a farmer and private shipper.

Evidently this is a kind of freeze-out plan of the elevator and railroad companies. The people and farmers are up and are very indignant at this move. Will you not intercede for us in this matter? It certainly needs immediate attention.

Yours respectfully,

W. R. Merrick.

Rugby, N. D.
Dec. 3, 1891.

Geo. H. Walsh, Esq., Grand Forks, N. D.

Dear Sir:

We have your favor of the 1st inst. relative to cars. In reply will say we have had no cars at all, neither do we want any for our own use. Every car that we have had anything to do with has been for the farmer; we simply advance him money on his car when loaded and ship the car for him. We are O. K. now. No cars wanted at present.

Yours truly,

Shepherd & Weiland.

December 1st, I also received the following communication from Hon. J. W. Maher:

Devils Lake, N. D.
Nov. 28, 1891.

Geo. H. Walsh, Esq., Grand Forks, N. D.

Dear Sir:

I wish you could arrange to come up here next Monday. The railroad company has ordered the local agents to give no freight cars for shipment of grain to any persons other than the elevator men and farmers; and this excludes all track buyers, the parties who have really made the market here this year. There are two active parties buying grain here this year in competition with the elevator men. They are Pat Kelly of Crary, and Prusser & Serumgard, of this city. Prior to the time they began buying grain the elevator

companies were placing their own figure on all low grade or no grade wheat. Since Kelly and P. & S. have started to buy, the price realized by the farmers, for wheat that grades less than No. 2, has been raised on an average of at least 16 cents per bushel, notwithstanding that the actual market price at Minneapolis and Duluth is less than it was when they began business.

The order to give cars to farmers is a mere subterfuge, for the farmers as a rule live so far from track they cannot load the cars; and there has been so much dissatisfaction in the matter of getting cars that the farmers have about abandoned shipping their grain themselves. They were very much worked up on this subject, and are still. Nearly every farmer who has a car load of wheat had determined to ship it himself; but the uncertainty of getting a car, and the difficulty of being able to load it within twenty-four hours, has in most cases discouraged them, so that since they have realized a fair figure for this class of grain, they have been willing to sell it, and in every case the preference has been given to the elevator companies, when the elevator companies would pay as much as the track buyers. This is on account of the fact that the track buyers either made him shovel the grain into a car or some granary or storehouse, while the elevators have dumps, and thus have the advantage of the others where the price is even.

There are several instances of farmers who were selling their wheat at the elevators from 45 to 52 cents, prior to the advent of the track buyers, and who now notwithstanding that wheat is down, are selling the same identical wheat to the same elevators for, from 65 to 71 cents per bushel; so that you can see that the business people of this city, as well as the farmers, throughout the district are going to receive a severe setback by the companies' order, if it shuts out these buyers, which of course it will unless something can be done for them by you.

I have been requested by several of the merchants, as well as the track buyers and a great many farmers, to write you asking you to come here and investigate the matter; and I hope that you will be able to do so. If you can succeed in having the order revoked or modified, so that the track buyers can get their proportion of cars, your efforts will be appreciated by every person aside from the two elevator agents alone.

The Chamber of Commerce and the business men of Devils Lake will take an interest in the matter, as will of course every farmer who markets his grain in this city.

If you receive this tonight, and can notify me by tomorrow's mail that you will be here on Monday next, I will see that the farmers will be here to meet you and have the fact of your coming spread about town. So that if you desire it, a public meeting can be had and the matter discussed. If you would prefer not to have anything of this kind just now, and will say so, I will of course keep the matter still until after you have investigated.

Yours respectfully,

John W. Maher.

Office of Board of Railway Commissioners.

Grand Forks, N. D.

Dec. 1, 1891.

C. H. Jenks, Esq., Supt.,

Dear Sir:

I am in receipt of a communication from a prominent business man of Devils Lake, in which he makes the same charges that are made by track buyers at several other stations on the Great Northern line, i. e., "That orders have been issued from your office to station agents to give no freight cars for shipment of grain to any person other than elevator men and farmers."

I desire for the information of this board to know first, if any such orders have been issued; and second, what is the object of such discrimination, as discrimination it is, against track buyers. If you have investigated this subject, you could not have found that track buyers buy wheat at a very small margin as compared with the elevators, and that they, the track buyers, have forced the elevators to put up the price of wheat at those stations they come in competition with each other, and at other points where the elevators did not have this competition the farmers who were forced to sell were compelled to take a lower grade and lower price than they would otherwise have received.

The elevator companies themselves are responsible both for track shipment by farmers and track buyers, because if they are satisfied to buy the farmers' wheat upon a reasonable dockage for dirt, there would be but few farmers who would take the trouble to ship their own grain, and track buyers would find but little to do.

But the elevator companies are not satisfied to do business on this basis. Where they have the monopoly—and they have it at, at least, two-thirds of the railway stations in the State, as there is no competition between the different lines of elevators at the several stations—they buy wheat on a margin of from eight (8) to as high as twenty (20) cents per bushel, and docking from three (3) to seven (7) pounds per bushel for dirt, when the same wheat would clean up not to exceed $\frac{1}{2}$ to $1\frac{1}{2}$ lbs. of dirt per bushel.

The result is, farmers are dissatisfied, and justly so, and this opens the avenue to track shipment and track buying.

Now, Mr. Jenks, this is not an imaginary picture. I am in receipt daily of letters from all parts of the State of similar import. I can not believe it is the intention—it certainly is not policy—for the railroads of this State to uphold any person or corporation doing business upon their line in any unfair and unreasonable method, and where such is the case, as a matter of self-preservation for the railway company, it should see that private track buyers were placed at every station upon their line, with strict injunctions to treat farmers fairly, and giving farmers every facility for the shipment of their own grain and force the elevator company to quit business. If this system were adopted, the sentiment that is prevalent in the minds of our people, that railway corporations are their enemies, would soon die out.

Hoping that you will give this matter earnest consideration, and that if such an order has been issued, you will at once countermand it, I am,

Yours respectfully,

Geo. H. Walsh.

P. S. I go to Devils Lake on Thursday of this week to investigate this matter. G. H. W.

December 3d I arrived at Devils Lake and at once proceeded to investigate the question of discrimination. I found that Pat Kelly and Proesser & Serumgard had been refused cars by the agent, and that the same state of affairs existed at Penn, Grand Harbor and other points, and that the following order was received by the Devils Lake agent:

Larimore, Nov. 27, 1891.

To Agents: Do not furnish another car to track buyers. If you have more empties than needed by elevators and actual farmers, and no instructions as to what to do with them, ask Mr. Johnson for instructions.

C. H. Jenks,
Division Supt.

St. Paul, Minn.
Dec. 4, 1891.

Hon. Geo. H. Walsh, Chairman,
Railroad Commissioners,
Grand Forks, N. D.

Dear Sir:

Your letter of December 1st to Mr. C. H. Jenks, Superintendent, was forwarded to me.

The company proposes to observe its circular No. 8 of August 18, 1891, a copy of which was furnished the commission at the time it was issued. Temporary orders were issued in several instances for justifiable reasons and in cases of emergency, and for the protection of farmers, not to furnish cars for track buyers. Conditions having changed, the special orders above referred to are no longer in force.

Am I to understand that the commission hold that when elevators are filled, cars shall be furnished to track buyers in preference to elevators and farmers?

Yours truly,
A. H. Mohler.
(General Manager)

PUBLIC DOCUMENTS—NORTH DAKOTA. Nos. 21 to 30, Yr. 1894.
Vol. 3, P. 459 ff.

That phase of the question which overshadows all others in its importance is the inspection and grading of our wheat. It touches every farmer in the State. The board is satisfied that a system could be put into operation by this State at Wisconsin and Michigan terminal points that would be more just to North Dakota farmers. All grain shipped to Superior or Duluth is inspected by the Minnesota inspectors upon Wisconsin soil. Wisconsin has no law providing for the inspection of grain. The present West Superior inspection is not a legal one, technically speaking. The Minnesota inspectors do not claim that it is. They are there by courtesy, or perhaps more properly, by toleration on the part of the grain men of West Superior until such time as a better system is devised.

How does the present system affect the farmers of North Dakota? The cost of inspecting and weighing grain is 50 cents per car, which

is collected from the shipper, or more properly the producer. Suppose that with an average crop 20,000,000 bushels of our wheat reaches the lake ports. The receipts from inspecting and weighing this amount would be about \$16,000, which is turned into the treasury of Minnesota. Farmers of North Dakota have paid this bill each year, but they have not had one word to say about the inspection, nor has this State derived any revenue from it. This, however, is insignificant compared with the greater loss by mixing and grading. Wheat from several states reaches these ports and is graded as best it can. Of necessity the very best quality must be used to hold up that which is not so good. The softer wheat from many more southern points is inevitably mixed with the harder wheat of the northern points. The result, of course, is to the detriment of the northern wheat. Another source of degeneracy in grades is what is known in the vernacular of the grain trade as "skin grades," that is, grades that have come from milling points, where the very best has been retained by the millers and the remainder sent on. These grades must again be held up by the better wheat at the lake ports.

The board is satisfied that by these various processes of mixing and skimming grades the farmers of North Dakota lose from three to five cents a bushel on all their best grades of wheat.

What do we get in exchange for all this loss? Not even a name. The grain carries to the world the certificate of Minnesota inspection as Minnesota wheat. Would it not be better for us to have our choice wheat shipped directly to terminal points and there inspected under regulations prescribed by this State, to carry with it to the markets of the world, North Dakota grades. If our wheat could reach the great market of the East in its original purity, carrying the stamp of our own State, the trade would soon recognize its superior merit, and our wheat would command a premium, as does Manitoba wheat, which has inspection of its own, and commands a premium over Minnesota wheat.

The board does not intend any reflection upon the Minnesota inspection as such. The results mentioned are the outcome of trade and physical conditions. We are aware that the opinion of the Minnesota inspectors is opposed to that expressed here, that in their judgment North Dakota wheat does not suffer under Minnesota inspection, and is not, in fact, in any way superior to Minnesota wheat. But this board stoutly maintains the unfairness of our farmers' paying so much for an inspection over which they have absolutely no control, and which could if others chose, be used to discriminate against them. Even supposing Minnesota grain to be superior to North Dakota hard wheat, why should Minnesota be so anxious to suffer the burden of carrying our supposed inferior wheat? This board believes that a North Dakota inspection would be an incentive to North Dakota farmers to improve their wheat product, and eventually, if not at once, establish our No. 1 hard wheat at a premium of any Minnesota grades.

All this can be accomplished, and with practically no expense to the State. The grain handlers of West Superior would be willing and anxious to have North Dakota inspection. It is for their interest to have it, that they may build up a reputation for their city as furnishing the best quality of grain to be had for the export trade, which they recognize our wheat to be. In consideration of

this advantage to them they would be willing to make some concession to this State, so that a part of the fee for inspection would be turned into our state-treasury—enough at least to defray the expense necessary in establishing a system of supervisory inspection by this State. North Dakota grades would be established and maintained so as to fully protect the interests of North Dakota farmers. Other ports in Wisconsin and Michigan, especially at Gladstone, Mich., where no state inspection controls, could no doubt be arranged with on the above plan. The board has assurance that such arrangements can be made. The board knows no obstacle in the way of adopting this system, other than can be met by the Legislature.

The board should be empowered to appoint inspectors at all terminal points that are not controlled by local or state inspections, and when any board of trade, or other body of grain dealers, will assure the board that they will cooperate with them in establishing North Dakota grades. The inspection would be legal, being under the direct control of the local board of trade, the charter of which gives them power to inspect grain. Our inspection would necessarily be supervisory, to see that grades were maintained under all circumstances.

The board believes that an arrangement like this would secure to the farmers of this state as good results as though the State owned its own terminal elevator, and at the same time accomplish the end sought by a previous attempt to establish North Dakota grades. For that reason this plan is recommended for consideration by the Legislative Assembly.

It is not charged by many that the elevator operators receive explicit instructions from their superior to do these things, though this charge is made by some, but that the elevators are under pressure to make the elevators pay, and that such practices are almost inevitable results of the system. And it is pointed out that the farmers who suffer most from such practices are the homesteaders, the small producers, and in general those whose financial conditions constrain them to sell in wagon loads to the elevators, and more especially, such of these classes as live ten miles and upwards from the nearest shipping point.

Against the Banks

1. That by restricting or refusing credit to many farmers, they force these to put their grain upon the market as soon as it is threshed, depriving them of the opportunity to hold it for a rise in price, and compelling them to sell when the market is glutted and the price tends to be lowest. To get the best price the farmer should be in position to market his grain leisurely, offering it step by step with the milling and export demands. The banks make it impossible for the farmers to do this at present.
2. That in giving lines of credit for moving the crops they favor the larger companies, and at times favor a few such companies, thus giving these a virtual monopoly of bank credit, and assisting them in monopolizing the grain business.

Against the Railway Companies

1. That through leaky cars and other conditions, grain is lost or damaged in transit, and the loss is too frequently put upon the shipper.

2. That they construct loading platforms as if the object was to render the use of them by the farmers as difficult as possible.
3. That in the past they helped to create elevator monopolies and assisted them, and that at present they favor the large milling and elevator companies, as against the farmer, whenever they can, and especially at points where there is no competition between the railways themselves.

APPENDIX XII

EXTRACT FROM THE REPORT OF THE ELEVATOR COMMISSION OF THE PROVINCE OF SASKATCHEWAN, 1910, CHAPTER 2, PAGES 19 TO 22.
CHARGES AGAINST THE PRESENT SYSTEM

Against the Initial Elevators

1. *Weights*—That they give lower weights than the farmer is entitled to.
2. *Dockage*—That they take too large a percentage as against cleaning the grain to grade, and too large an amount to protect the elevator against shrinkage in handling the grain.
3. *Grades*—That in buying the grain they give lower grades than the grain is entitled to.
4. *Prices*—That they give too low prices even for the grade allowed.
5. *Cleaning*—That in many cases they have no cleaning apparatus, that in other cases they refuse to clean the grain, and that the farmers not only lose the screenings, but are also forced to pay freight upon them from the shipping point to the terminals.
6. *Special Binning*—That they often refuse to special bin grain on the ground that they have no vacant bins.
7. *Substituting Grain*—That they often give the farmer inferior grain, taking his superior lot instead.
8. *Mixing*—That they mix the grain in the bins so that the grades are skimmed, that is, that the grain shipped in any one grade, is on the lowest line of that grade, good enough to receive that grade at the hands of the inspector but not a good average of that grade.
9. *Shipping*—That they try to ship stored grain to their own firms even when the owner desires to ship it elsewhere.

Against the Terminal Elevator

1. That they take too much dockage as against the shrinkage of the grain in handling.
2. That they do not pay the farmer for the screenings which they take out of the grain when cleaning.
3. That they do not clean the grain as the inspection requires, but sell it dirty, thus increasing their surplus.
4. That they mix the different grades of grain, selling grain of lower grade at the price of the higher grade, and that, the grain being dirty and lowered in grade by mixing, export prices are lowered and the prices paid to the farmer are also lowered.

5. That at times they loan stored grain to themselves as dealers or to others, while the owner believes he is holding his grain for an advance in price.

Against the Grading System

1. That the grades do not represent the different values of the grain for milling purposes.
2. That good grain in any one grade gets the grade price only, and that selling by grade enables the millers and elevator companies to lower the quality of each grade, and so to fix the export and home prices upon the basis of the lowest level of each grade.
3. That the existing grading system is unfair to grain which though slightly bleached, smutted or frosted, is nevertheless of good quality for milling purposes.
4. That mistakes are made in sampling and grading.

Against the large Western Milling Companies

1. That they cull the best grain for their own mills.
 - (a) By buying through their own elevators especially in the districts which produce the best milling grade, as shown them by their experiments.
 - (b) By somehow selecting the best car lots in Winnipeg, or by having cars stopped at their mills or terminals which they can buy or not as they choose.
 - (c) By selecting from all the grain they buy the best lots, and selling the remainder.
2. That the defects of the grading system, and the absence of a sample market, enable them to buy grain which though slightly bleached, smutted or frosted, is of superior quality, and to buy it at a price far below its value.
3. That because of their culling, the grades of grain exported are lowered, with the result that export and home prices are lowered, and that it is at these lowered prices they secure the very best of grain, except where they pay a small premium.
4. That besides lowering the prices by lowering the grades, they artificially depress prices:
 - (a) By spreading false reports about the crops.
 - (b) By juggling in options, and especially by selling below market value early in the season in the Liverpool market, quantities of grain for future delivery.

One illustration of this bearing of the market is seen in the fact that wheat sells for less on the Canadian than on the American side of the line, though the Canadian wheat is the superior article.

Against the Winnipeg Grain Exchange

The members of the Exchange are a small number of men, some of them inactive, not actually engaged in the trade, and the others active as millers, elevator men, commission men, track buyers and exporters. The members fall into two classes according as they do or do not own initial elevators. The larger milling and elevator companies operating elevators in the country, and owning or controlling most of the terminals as well, have overwhelming advan-

tages over all the other members. As sketched above they can buy large quantities of street grain cheap, they can enhance their profits by malpractices in both initial and terminal elevators, they have the income derived from the storing and handling of the grain, and they can obtain special privileges in transportation and banking. Because of these advantages they exercise a controlling influence in the Exchange. They can guard the membership, modify the rules, and use the mechanism of the Exchange as their own interest requires. They can, if they desire, penalize the independent exporter, because he may need to buy grain from them, because he uses their terminal, and because buying much grain at street prices, they can undersell him in the ultimate market, and still reap a profit. They can penalize the independent commission man, because he may need to buy his grain from them or sell to them, and because, having other and larger sources of income than the commission rate, they can, if they desire, offer higher prices for track wheat and cut off his consignment. Real independence therefore on the part of commission men and exporters as against the millers and the elevators men there is none. If the dominating interests maintain several elevator and buyers at any shipping point, and if they tolerate in the Exchange a number of apparently independent and competing commission men and exporters, it is only to deceive the public into believing that there is real competition in the trade.

And the dominating companies can make full use of the speculative market, of trading in futures, of hedging, of dealing in puts and calls (outside exchange hours), of profiting by the rise and fall of the price in their own market, and of dealing in spreads when they occur between prices in different markets. Most important of all, they can complete the work of fixing the prices paid to the farmer. That work as already stated, includes spreading false reports about the crops, selling futures in the British market, and lowering the grades of grain exported. Their position of command in the Winnipeg Exchange enables them to complete the process, and it is the price fixed in all these ways by them that is daily telegraphed to every shipping point in the country as the basis alike of track and street prices.

The Present System a Monopoly

If these charges are true it is evident that the grain business of Western Canada is in the hands of a powerful monopoly, in which the few large milling companies are supreme and the large elevator companies hold the second and the only other place. It is also evident that the strength of the monopoly arises from the following sources:

1. Their ownership of most of the initial elevators. It is this that enables them to buy grain at street prices and enhance their profits by the various malpractices enumerated above.
2. Their ownership of control of most of the terminal elevators. Besides giving them a good income for handling and storing the grain, this enables them to make larger gains from dockage, from screenings and from mixing, and above all to lower the export prices and thereby lower the prices which they pay the farmer.
3. Their control of the Winnipeg Exchange. It is this that enables them finally to fix the price of grain, track and street besides enabling them to make profits by tricks of speculation.

4. The selling by grade alone is one main condition of their buying the grain below its value.
5. The policy of the banks in restricting or refusing credit to the farmer, forces the latter to sell their grain as soon as it is threshed, and delivers them over to the will of the monopoly at the very period when the market tends to be glutted.
6. And the transportation companies give the monopoly privileges which are important as against competitors.

And this monopoly is as unscrupulous as it is strong, as shown by its methods of bearing the markets in Britain, as well as by the unjust weights, grades and prices its operators give in the country elevators. It is a monopoly, too, the profits of which are lost to the Province of Saskatchewan, whatever advantages it may give to Manitoba. And, lastly, it is a monopoly largely controlled not by Canadian but by foreign interests, and it deserves no mercy at the hands of any government in Saskatchewan.

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